

BRICKWORKS

LIMITED

12 September 2003

Australian Stock Exchange (Sydney) Limited
20 Bond Street
SYDNEY NSW 2000

Attention: **Companies Department**

Dear Sir/Madam,

Please find attached a final copy of the Prospectus for Reset Preference Shares "PAVERS". The offer for PAVERS opens on Monday, 15 September 2003.

We also confirm that the final copy of the prospectus can be found on the company's website, at www.brickworks.com.au.

Yours faithfully,
BRICKWORKS LIMITED



IAIN THOMPSON
COMPANY SECRETARY

BRICKWORKS LIMITED

ABN 17 000 028 526

Wallgrove Road, Horsley Park NSW 2164; PO Box 6550, Wetherill Park NSW 1851

Telephone: 61 2 9830 7700 Fax: 61 2 9620 1328

Internet Address: <http://www.brickworks.com.au> E.Mail Address: info@brickworks.com.au

PROSPECTUS

BRICKWORKS

LIMITED

ABN 17 000 028 526

Prospectus for the issue of

PAVERS at \$100 each

to raise up to \$165 million with a minimum of \$150 million

JOINT LEAD MANAGERS AND UNDERWRITERS



JBWere

Important Information

This Prospectus is dated 3 September 2003 and was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. This Prospectus expires on 2 October 2004 and no securities will be allotted or issued on the basis of this Prospectus later than that date.

This Prospectus will be made generally available electronically from the date of this Prospectus until the Closing Date by being posted on Brickworks' website at www.brickworks.com.au. Printed copies of this Prospectus are expected to be available from 15 September 2003 and during the Offer period by calling 1300 556 090.

Applications under this Prospectus will not be accepted by Brickworks prior to the opening of the Offer period, and in any case, until after expiry of the exposure period. The exposure period is generally 7 days after lodgement of the Prospectus with ASIC which may be extended by ASIC to a period of up to 14 days after lodgement. No preference will be conferred on persons who lodge applications before the expiry of the exposure period.

Applicants should read this Prospectus in its entirety before deciding to participate in the Offer. If after reading this Prospectus, you have any questions about the Offer, you should contact your stockbroker, accountant or other professional adviser.

Applications for PAVERS can only be submitted on original Application Forms attached to and forming part of, or accompanying, this Prospectus. Application Forms are only available with a Prospectus, and Application Forms (apart from personalised blue Application Forms for Eligible Shareholders and Employee Share Plan Members) may be obtained electronically from the Brickworks website during the Offer period once the exposure period (see above) has expired. Please refer to Section 1.6.

The Offer of PAVERS is being made only to persons receiving this Prospectus (including the electronic copy of this Prospectus referred to above) in Australia who are Australian residents. No action has been taken to register the PAVERS or otherwise permit a public offering of the PAVERS in any jurisdiction outside of Australia. The Offer is not made in any jurisdiction where the laws of the jurisdiction would require the Prospectus to be registered or other action to be taken by Brickworks. In particular the PAVERS have not, as at the date of this Prospectus, been registered under the U.S. Securities Act of 1933 and may not be offered or sold in the United States or to, or for the account or benefit of, any US Person (as defined in Regulation S under the Securities Act).

The pro forma financial information provided in this Prospectus is for information purposes only and is not a forecast of operating results to be expected in future periods.

Some words used in this Prospectus have defined meanings which are set out in the Glossary in Appendix B on page 55 or otherwise in clause 9 of the Terms of Issue in Appendix A.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer or the PAVERS described in this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by Brickworks in connection with the Offer. Except as required by law, and only to the extent so required, neither the Company nor any other person warrants the future performance of the Company or any return on any investment made pursuant to this Prospectus.

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Summary of Key Dates*

Record Date	28 August 2003
Prospectus lodged	3 September 2003
Offer opens	15 September 2003
Brickworks Extraordinary Shareholder Meeting	3 October 2003
Offer closes	8 October 2003
Issue of PAVERS and holding statements despatched	17 October 2003
PAVERS commence trading on ASX	22 October 2003
First Dividend Payment Date	1 June 2004
First Reset Date	1 December 2008

* Indicative dates only, subject to change. The Company reserves the right to extend the Closing Date for the Offer or to close the Offer early without prior notice.

BRICKWORKS

LIMITED

3 September 2003

Dear Investor,

On behalf of the Board of Brickworks, I am pleased to offer you this opportunity to invest in Brickworks through an issue of Preferred Adjustable Variable Exchangeable Resettable Shares ('PAVERS').

Brickworks intends to raise a minimum of \$150 million under this Prospectus through the issue of 1,500,000 PAVERS at an Issue Price of \$100 each. Brickworks will also have the right to allot a further 150,000 PAVERS (up to \$15 million) by way of over-subscriptions. Eligible Shareholders and Employee Share Plan Members will be entitled to a guaranteed minimum allocation of 50 PAVERS (\$5,000). The minimum application for each investor is 50 PAVERS (\$5,000). Applications for greater than 50 PAVERS must be in multiples of 10.

Some key features of PAVERS include:

- **Preferred Dividend** – a preferred, non-cumulative Dividend fixed from the Allotment Date until 1 December 2008 at an annual Dividend Rate equal to the higher of 5.85% and 0.65% above the five year Swap Rate at the Allotment Date. Brickworks expects, but does not guarantee, the Dividend to be fully franked;
- **Reset mechanism** – Brickworks may reset certain terms of PAVERS on a Reset Date, including the next Reset Date and the applicable Dividend Rate. The first Reset Date is 1 December 2008;
- **Exchange rights** – the PAVERS have no maturity date but investors have the right to require Exchange of their PAVERS on each Reset Date, the first of which will occur on 1 December 2008; and
- **ASX quotation** – Brickworks intends to quote the PAVERS on ASX. This will allow investors who wish to realise their investment prior to Reset Dates to sell their PAVERS on ASX at the prevailing market price.

Brickworks is one of the largest producers of clay products in Australia. Brickworks recently made a takeover offer for Bristile. At the close of the offer, Brickworks had acquired 97% of Bristile, and Brickworks is now in the process of compulsorily acquiring the remaining shares.

Following the acquisition of Bristile, the Company will have significant market share in clay products in every State. Brickworks believes that the Bristile acquisition will bring a number of benefits to the combined business, including benefits from enhanced scale and benefits from applying the best equipment, techniques and procedures from each of the two companies.

The proceeds of the Offer are to be used to repay part of a short-term debt facility obtained by Brickworks in relation to the takeover of Bristile and to pay the expenses of the Offer.

This Prospectus contains details of the Offer, the terms of the PAVERS and a description of the risks associated with an investment in the PAVERS. Please read it carefully before deciding whether to invest. Please call 1300 556 090 if you have any questions about this Offer. If there is any matter on which you require further information or if you are uncertain as to whether PAVERS are a suitable investment for your purposes, you should consult your stockbroker, accountant or other professional adviser.

On behalf of the board of Brickworks, I recommend this investment opportunity to you.

Yours faithfully



Robert D. Millner
Chairman

BRICKWORKS LIMITED

ABN 17 000 028 526

Wallgrove Road, Horsley Park NSW 2164; PO Box 6550, Wetherill Park NSW 1851

Telephone: 61 2 9830 7700 Fax: 61 2 9620 1328

Internet Address: <http://www.brickworks.com.au> E.Mail Address: info@brickworks.com.au

1. OFFER SUMMARY

1.1 The Offer

A total of up to 1,650,000 PAVERS are available under the Offer at an Issue Price of \$100 each.

The total size of the Offer consists of an underwritten portion of 1,500,000 PAVERS (\$150,000,000) and a right to accept over-subscriptions for up to an additional 150,000 PAVERS (\$15,000,000). The minimum size of the Offer is \$150,000,000 in total, representing the underwritten portion of the PAVERS offered for issue under this Prospectus.

1.2 Use of Proceeds

The proceeds of the Offer are to be used to repay part of a short-term debt facility obtained by Brickworks in relation to the takeover of Bristle and to pay the expenses of the Offer.

1.3 Conditions Precedent to the Offer

The Offer is subject to:

- Brickworks' Shareholders, at an Extraordinary General Meeting to be held on 3 October 2003, approving:
 - by special resolution, the adoption by Brickworks of a new Constitution which among other things, permits the Company to issue preference shares; and
 - by ordinary resolution, the issue of up to 1,650,000 PAVERS for the purposes of ASX Listing Rule 7.1.
- ASX quotation approval for PAVERS.

If any of these conditions is not satisfied, the Offer will not proceed and Brickworks will return Application Monies (without interest) as soon as practicable.

1.4 Summary Terms

Set out below is a summary of the key terms and conditions of the PAVERS. This information is a summary only, and should be read in conjunction with other information contained in the Prospectus, in particular the risk factors in Section 5 and the Terms of Issue in Appendix A.

Issuer	Brickworks Limited.
Security	Preferred Adjustable Variable Exchangeable Resettable Shares ('PAVERS'), being a reset preference share.
Issue size	An underwritten issue of 1,500,000 PAVERS with the right to accept over-subscriptions for up to a further 150,000 PAVERS.
Issue Price	\$100 per PAVERS.
Dividend Rate	<p>A preferential non-cumulative Dividend fixed from the Allotment Date until the first Reset Date (1 December 2008) at an annual Dividend Rate equal to the higher of:</p> <ul style="list-style-type: none"> ■ 5.85%; and ■ 0.65% above the five year Swap Rate prevailing on the Allotment Date. <p>The Dividend Rate may be increased or decreased on each Reset Date.</p>

Dividend payment	<p>Payable semi-annually in arrears on 1 June and 1 December each year. The first Dividend will be payable on 1 June 2004 and will accrue from the Allotment Date.</p> <p>Payment of Dividends on PAVERS is subject to the Directors determining to pay a Dividend and there being no legal impediment to Brickworks' payment of the Dividend (such as there being insufficient profits out of which to pay a Dividend).</p>
Franking	<p>Brickworks expects, but does not guarantee, that Dividends will be fully franked.</p> <p>If a Dividend is unfranked or partially franked the Dividend may, at the Board's discretion, be increased to compensate for the unfranked amount. If it is not so increased, then Holders may request Exchange of their PAVERS.</p>
Reset Dates	<p>Certain terms including the Dividend Rate, Conversion Discount, Conversion Minimum Number, the next Reset Date and timing of Dividend payments may be reset by Brickworks on each Reset Date. The first Reset Date will be 1 December 2008.</p>
Holder Exchange	<p>Holders may request Exchange of their PAVERS in certain circumstances, including:</p> <ul style="list-style-type: none"> ■ on Reset Dates; and ■ following the occurrence of certain Trigger Events including non-payment of a Dividend and certain takeover offers or schemes of arrangement. <p>Subject to the Terms of Issue, where Holders elect to Exchange, Brickworks must do one (or a combination) of the following as determined by Brickworks in its sole discretion:</p> <ul style="list-style-type: none"> ■ convert the PAVERS into a number of Ordinary Shares in accordance with the Terms of Issue; ■ arrange for a third party to acquire the PAVERS from the Holder and deliver to the Holder an amount equal to the Issue Price; or ■ Repurchase the PAVERS for an amount equal to the Issue Price.
Company Exchange	<p>Subject to the Terms of Issue, Brickworks may Exchange the PAVERS in certain circumstances, including:</p> <ul style="list-style-type: none"> ■ on Reset Dates; ■ if there is a change in taxation or other regulations which affect the PAVERS; ■ if Exchange would prevent or remedy an event of default under a material financing arrangement; ■ if the aggregate of the Issue Price of PAVERS on issue at certain times falls below \$25 million; or ■ if certain takeovers or schemes of arrangement occur in relation to Brickworks. <p>Where Brickworks elects to Exchange the PAVERS it may, at its election:</p> <ul style="list-style-type: none"> ■ convert the PAVERS into a number of Ordinary Shares in accordance with the Terms of Issue; or ■ Repurchase the PAVERS for an amount equal to the Issue Price.

Conversion Ratio	For the period to the first Reset Date, the number of Ordinary Shares resulting from a Conversion of a PAVERS will be calculated with reference to the Conversion Discount and the average of the daily volume weighted average sale price of Ordinary Shares traded on ASX during the 20 Business Days immediately preceding the date of Conversion. The number of Ordinary Shares arising from Conversion will be subject to a minimum of one share.
Conversion Discount	2.50% (unless and until reset on a Reset Date).
Ranking	<p>Dividends on PAVERS will be paid in priority to any dividends on Ordinary Shares.</p> <p>In a winding up, PAVERS will rank for repayment of capital behind all creditors of Brickworks but ahead of Ordinary Shares. Brickworks reserves the right to issue debt securities in the future which rank in priority to PAVERS for interest payments and repayment of principal.</p> <p>Brickworks also reserves the right in the future to issue additional PAVERS or other equity securities ranking equally with or behind PAVERS with respect to payment of Dividends and return of capital, without the approval of Holders in any such case.</p>
Participation	Prior to Conversion of PAVERS, unless the Directors otherwise determine at their discretion, Holders do not have a right to participate in issues of securities to, or capital reconstructions affecting, holders of Ordinary Shares.
Voting rights	PAVERS carry no right to vote at general meetings except in certain limited circumstances.
Listing	ASX.

1.5 Risks

There are particular risks associated with investing in PAVERS, as well as risks attaching to the Company. A summary of investment risks is set out in Section 5.

1.6 How to Invest

When to apply

The Offer is due to open at 9:00am (Sydney time) on 15 September 2003 and is expected to close at 5:00pm (Sydney time) on 8 October 2003 (Closing Date).

Applications for PAVERS under the Offer must be received by Brickworks no later than 5:00pm (Sydney time) on 8 October 2003.

Brickworks may close the Offer early, extend the Closing Date or withdraw the Offer without prior notice. Applicants for PAVERS under the Offer are encouraged to submit the relevant Application Forms as soon as possible after the Offer opens.

Who may apply?

The Offer of PAVERS is being made only to persons receiving this Prospectus (including the copy of this Prospectus available on Brickworks' website) in Australia who are Australian residents. No action has been taken to register PAVERS or otherwise permit a public offering of PAVERS in any jurisdiction outside Australia. The Offer is not made in any jurisdiction where the laws of the jurisdiction would require the Prospectus to be registered or other action to be taken by Brickworks. In particular, PAVERS have not, as at the date of this Prospectus, been registered under the U.S. Securities Act of 1933 and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under that Act).

How to apply - Brickworks Shareholders & general applicants

If you are registered as a Brickworks Shareholder **with a registered address in Australia** (Eligible Shareholder), or if you are an Employee Share Plan Member, as at 7:00pm (Sydney time) on 28 August 2003 you are eligible to apply, subject to the terms of the Offer, for a guaranteed minimum allocation of 50 PAVERS (\$5,000).

As an Eligible Shareholder or an Employee Share Plan Member, you should receive a personalised blue Application Form with your copy of this Prospectus. You must use this personalised blue Application Form to ensure that you are eligible to receive your guaranteed minimum allocation.

If you have obtained a copy of this Prospectus from the Brickworks website (www.brickworks.com.au), and you have not yet received your personalised blue Application Form, you should contact the PAVERS Offer Information Line on 1300 556 090 to receive your Application Form.

If you are not a Shareholder, you should complete the white Application Form attached to or accompanying this Prospectus, or the Application Form obtained from the Brickworks website, in accordance with the instructions set out on the Application Form.

Completed Application Forms, including Application Forms obtained from the Brickworks website (but excluding broker firm allocations), and accompanying cheque(s) must be mailed to:

Computershare Investor Services Pty Limited
GPO Box 7115
SYDNEY NSW 2001

or hand delivered to:

Computershare Investor Services Pty Limited
Level 2
60 Carrington Street
Sydney NSW 2000

Application Forms and accompanying cheque(s) will **not** be accepted at any other address.

By returning an Application Form, the applicant acknowledges that they have received and read this Prospectus.

Payment

Application Forms, duly completed, must be accompanied by a cheque(s) in Australian dollars drawn on an Australian branch of a financial institution. Cheques should be crossed 'not negotiable' and made payable to '**Brickworks Ltd - PAVERS Offer**'. Clients of brokers with firm allocations should refer to their adviser for settlement instructions.

How to apply - broker firm applicants

If you have received a 'firm' allocation of PAVERS from your broker, your application and payment procedures will differ in two important respects from those described above:

- Your application cheque(s) must be made payable to the broker (not to Brickworks Ltd - PAVERS Offer); and
- Your completed Application Form and application cheque(s) must be delivered to the broker directly (not to Brickworks or Computershare).

These differences, and any other requirements, will be explained to you by your broker. If you have a firm allocation of PAVERS and are in any doubt about what action you should take, you should immediately contact the broker who has made you an offer of firm allocation.

Minimum Application

The Issue Price of each PAVERS is \$100. Applications must be for a minimum of 50 PAVERS (\$5,000). Applications for greater than 50 PAVERS must be in multiples of 10.

Brokerage and stamp duty

No brokerage or stamp duty on the issue of PAVERS is payable by applicants.

Enquiries

If you require assistance to complete the Application Form, or require additional copies of this Prospectus, you should contact the PAVERS Offer Information Line on 1300 556 090.

If you are unclear in relation to any matter or are uncertain if PAVERS are a suitable investment for you, you should contact your stockbroker, accountant or other professional adviser.

Privacy statement

If you apply for PAVERS, you will be asked to provide personal information to Brickworks (and the Joint Lead Managers or broker if applicable) and the share registry on Brickworks' behalf. Brickworks collects, holds and uses that personal information to assess your Application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration.

Under the Privacy Act 1988 (Cth) (as amended), you may request access to your personal information held by or on behalf of Brickworks. You can request access to your personal information or obtain further information about Brickworks' personal information management practices by contacting Brickworks.

1.7 Answers to Key Questions

The purpose of this Section is to answer some of the questions which prospective investors may have about PAVERS. These answers are intended as a guide only. Further details are provided elsewhere in this Prospectus, which you should read in its entirety. The Terms of Issue of the PAVERS are set out in full in Appendix A.

What are PAVERS?

PAVERS are preference shares that:

- subject to the Directors in their discretion determining to pay a Dividend, and there being no legal impediment to payment of a Dividend, entitle the Holders to a non-cumulative Dividend. Brickworks expects, but does not guarantee, that Dividends will be fully franked;
- rank in priority to Ordinary Shares for payment of dividends;
- in the event of a winding-up, rank for return of capital behind all creditors of Brickworks but in priority to Ordinary Shares;
- are perpetual, but can be Exchanged at a Reset Date or in certain other circumstances; and
- have certain terms that may be reset at the discretion of Brickworks on any Reset Date.

How will Dividends be determined?

The annual Dividend Rate from the Allotment Date until 1 December 2008 will be the greater of 5.85% and the Swap Rate on the Allotment Date plus 0.65%.

The Dividend Rate may be reset by Brickworks on 1 December 2008 and, following this, on specified Reset Dates. This next Dividend Rate may be above or below the initial or subsequent Dividend Rate.

Will Dividends be franked?

Brickworks expects, but does not guarantee, that Dividends will be fully franked. If a Dividend is unfranked or partially franked, Brickworks may, at its discretion, increase the Dividend to compensate for the unfranked portion in accordance with the formula set out in the Terms of Issue. If the Dividend is not increased in such circumstances, Holders will be entitled to request Exchange of their PAVERS.

When will Dividends be paid?

The first Dividend will be payable on 1 June 2004 and will accrue from the Allotment Date. Thereafter, Dividends will be payable semi-annually in arrears on 1 December and 1 June each year.

Will Dividends always be paid?

No guarantee can be given that a Dividend will always be paid. PAVERS are not debt securities and Dividends are not the same as interest payments.

Payment of Dividends on PAVERS is subject to the Directors, at their discretion, determining to pay a Dividend and there being no legal impediment to Brickworks' payment of the Dividend (such as there being insufficient profits out of which to pay a Dividend).

The anticipated reclassification of PAVERS as a liability following the introduction of International Financial Reporting Standards (IFRS) in January 2005 is an accounting reclassification only and is not expected to impact the Terms of Issue or the legal or taxation status of the instrument. Consequently, Holders will continue to be entitled to a Dividend after the introduction of IFRS despite the anticipated reclassification of the Dividends as interest payments in the statement of financial performance.

What happens if a Dividend payment is not made?

Dividends are non-cumulative and therefore if a Dividend, or part of a Dividend, is not paid in respect of any one period, Brickworks is not required to pay the unpaid amount at any later time.

Dividends on the PAVERS must be paid in priority to any dividends paid on Ordinary Shares.

If a PAVERS Dividend is not paid in full within 30 Business Days after the relevant Dividend Payment Date, Holders may request Exchange and, in addition, Brickworks may not pay any dividends on any shares over which the PAVERS rank in priority (including Ordinary Shares):

- without the approval of Holders of PAVERS by Special Resolution;
- unless two consecutive Dividends stated to be payable on PAVERS thereafter have been paid in full or, failing that, at the option of Brickworks, a Shortfall Dividend has been paid; or
- 12 months have passed since the first date when there were no longer any PAVERS on issue.

What happens if the Australian corporate tax rate changes?

Dividends will not be adjusted for any change in the Australian corporate tax rate.

What are Reset Dates?

Reset Dates are dates from which Brickworks may change any or all of the following to apply after the Reset Date until and including the next Reset Date:

- the Dividend Rate;
- the frequency and timing of payment of Dividends;
- the Conversion Minimum Number;
- the Conversion Discount; and
- the next Reset Date.

Brickworks must notify Holders of any such changes at least 50 Business Days prior to the relevant Reset Date.

When do Reset Dates occur?

The first Reset Date will occur on 1 December 2008. At each Reset Date, Brickworks has the right to determine the timing of the next Reset Date.

What happens on Reset Dates?***Brickworks may vary the terms of PAVERS***

Brickworks may change the terms of the PAVERS as described above. The new terms will apply from the day after the Reset Date until and including the next Reset Date. If Brickworks elects not to change the terms, the next Reset Date will be five years after the Reset Date in question and all other pre-existing terms will continue to apply until the next Reset Date, except that the annual Dividend Rate will change to the Swap Rate applicable on the Reset Date in question plus 0.65%.

Holders always retain the right to require an Exchange on a Reset Date by giving due notice, as described below.

Holders initiated Exchanges may occur

A Holder may deliver a Holder Exchange Notice to Brickworks at least 35 Business Days (but not more than three months) before the Reset Date in respect of some or all of the Holder's PAVERS. Brickworks must then notify Holders at least 21 Business Days prior to the Reset Date that, with effect from the Reset Date, Brickworks will Exchange the PAVERS which are the subject of the Holder Exchange Notice. In that notice, Brickworks will specify which method, or combination of methods, it intends to apply on the Reset Date to effect the Exchange.

Brickworks initiated Exchanges may occur

On a Reset Date, Brickworks may Exchange some or all of the PAVERS of any Holders selected by it. Brickworks must notify the Holders concerned at least 21 Business Days (but not more than six months) before the Reset Date of which method it intends to apply on the Reset Date to effect the Exchange.

What is an Exchange?

A Holder may request Exchange on Reset Dates or following the occurrence of certain Trigger Events. Where such a request is made within the timeframes allowed, Brickworks must do one (or a combination) of the following, as determined by Brickworks, in relation to the PAVERS in question:

- convert the PAVERS into a number of Ordinary Shares in accordance with the Terms of Issue;
- arrange for a third party to acquire the PAVERS from the Holder and deliver to the Holder an amount equal to the Issue Price; and/or
- Repurchase some or all PAVERS for an amount equal to the Issue Price.

The Conversion, sale and/or Repurchase in question constitutes an "Exchange".

It is important therefore for investors to understand that when a Holder initiates an Exchange, whether consequently PAVERS are converted into Ordinary Shares or whether instead there is a transfer or Repurchase under which a Holder receives a cash amount equal to the Issue Price, or whether a combination of the same occurs, is a matter for Brickworks to determine in its discretion.

If Brickworks does not give due notice specifying the methods of Exchange, PAVERS specified in the Holder Exchange Notice will convert into Ordinary Shares on the Reset Date.

In addition, Brickworks may, by giving due notice to any Holders selected by it, compel an Exchange of PAVERS specified by it on Reset Dates or on the occurrence of certain events. In such an event, Brickworks will do one or other of the following as determined by Brickworks in its discretion in relation to the PAVERS the subject of the notice:

- convert the PAVERS into a number of Ordinary Shares in accordance with the Terms of Issue; or
- Repurchase the PAVERS for an amount equal to the Issue Price.

The Conversion or Repurchase in question constitutes an "Exchange".

What happens on Conversion?

If the PAVERS are converted, each of the PAVERS will convert into Ordinary Shares that will rank equally in all respects with Ordinary Shares from the Exchange Date.

For the period to the first Reset Date (1 December 2008), any of the PAVERS that are converted will convert into Ordinary Shares at a 2.5% discount (the Conversion Discount) to the average of the daily volume weighted average sale price of Ordinary Shares traded on ASX during the 20 Business Days immediately preceding the Exchange Date.

This means that for the period to the first Reset Date, the number of Ordinary Shares issued on Conversion will vary generally depending on the market price of Ordinary Shares over the 20 Business Days immediately prior to Conversion.

Brickworks will apply for ASX quotation of any Ordinary Shares issued on Conversion of PAVERS within seven days after their allotment.

Can Brickworks redeem the PAVERS?

The PAVERS are not redeemable at the option of the Holder. However, Brickworks is entitled to effect an Exchange by way of a repurchase, redemption or cancellation upon return of capital in accordance with the Corporations Act and the Listing Rules.

Will I be able to request repayment of my investment?

Holders will have no right to be repaid the money originally paid for the PAVERS except in a winding up of Brickworks. On Reset Dates and in certain circumstances prior to Reset Dates, Holders may elect to Exchange their PAVERS, in which case Brickworks, in its sole discretion, may elect to convert PAVERS into Ordinary Shares or deliver cash to the Holders equal to the Issue Price.

Can an Exchange occur on a date other than a Reset Date?

Yes, all (but not some) of PAVERS of a Holder can be Exchanged:

- upon timely request by the Holder following a Trigger Event; and
- at the instigation of Brickworks upon certain tax law changes, to avoid certain financing defaults and upon certain takeovers or schemes of arrangement or in certain circumstances if the aggregate Issue Price of all PAVERS on issue is or would fall to less than \$25 million.

What is a Trigger Event?

Trigger Events include the following:

- non-payment in full of Dividends within 30 Business Days after the relevant Dividend Payment Date;
- where a Dividend is not fully franked and Brickworks elects not to gross-up the Dividend within 30 Business Days after the relevant Dividend Payment Date;
- occurrence of conventional insolvency type events in relation to Brickworks;
- certain takeovers and schemes of arrangement;
- suspension of Ordinary Shares from trading on ASX for more than 20 consecutive Business Days; and
- sale of all or substantially all of the business undertakings or assets of Brickworks, except where Brickworks retains a 50% or greater interest.

Can PAVERS be purchased or sold on ASX?

Brickworks will apply within seven days after the date of this Prospectus for the PAVERS to be quoted on ASX. Once quoted on ASX, the PAVERS can be purchased or sold through any stockbroker in Australia. If permission for quotation is not granted, PAVERS will not be issued and Application Monies will be refunded (without interest) as soon as practicable. The price of PAVERS on ASX may be higher or lower than the Issue Price and will depend, among other things, on the level of supply and demand for the PAVERS.

In a winding up, what will Holders of PAVERS receive?

In the event of a winding up of Brickworks, Holders of PAVERS will be entitled to a return of capital of up to the Issue Price of the PAVERS and any accrued Dividend entitlement (relating to the part Dividend Period up to the winding-up commencement) after all creditors and other liabilities of the Company have been paid. In a winding up, Holders will rank ahead of holders of Ordinary Shares, and equal to holders of any equally ranking securities issued after this issue of PAVERS, to the extent of the Issue Price of the PAVERS and any such accrued Dividend entitlement. The PAVERS do not confer any further right to participate in a distribution of Brickworks' assets.

In the event of a shortfall of funds on a winding up, there is a risk that Holders of PAVERS will not receive a full return of capital or any such accrued Dividend entitlement on the PAVERS.

What are the taxation implications of holding or selling PAVERS?

The taxation implications of investing in PAVERS will depend on an investor's individual circumstances. Shareholders and prospective investors should obtain their own taxation advice. A summary of some of the relevant matters appears in the letter from PricewaterhouseCoopers to Brickworks set out in Section 6.

Do PAVERS have voting rights?

PAVERS do not have voting rights, except in the limited circumstances specified in the Terms of Issue, when each PAVERS will carry the same voting rights as one Ordinary Share.

Is brokerage or stamp duty payable?

No brokerage or stamp duty is payable by investors on the issue of PAVERS. However, brokerage (but not stamp duty while PAVERS are quoted on ASX) may be payable on any subsequent transfer of PAVERS.

What are the risks of investing in PAVERS?

An investment in Brickworks, through PAVERS, will involve certain risks. You should refer to Section 5 for further information.

What happens if any of the conditions precedent to the Offer are not satisfied?

Conditions precedent to the Offer are set out in Section 1.3 above and Section 2.1 below. If any of these conditions are not satisfied, then the Offer will not proceed and Brickworks will refund Application Monies to applicants (without interest) as soon as practicable.

YOU SHOULD READ THE WHOLE OF THIS PROSPECTUS CAREFULLY. IF YOU ARE UNCLEAR IN RELATION TO ANY MATTER OR UNCERTAIN IF PAVERS ARE A SUITABLE INVESTMENT FOR YOU, YOU SHOULD CONSULT YOUR STOCKBROKER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

2. DETAILS OF THE OFFER

2.1 Conditions Precedent to the Offer

The Offer is subject to:

- Brickworks' Shareholders, at an Extraordinary General Meeting to be held on 3 October 2003, approving:
 - by special resolution, the adoption by Brickworks of a new constitution which among other things, permits the Company to issue preference shares; and
 - by ordinary resolution, the issue of up to 1,650,000 PAVERS for the purposes of ASX Listing Rule 7.1.
- ASX quotation approval for PAVERS.

If any of these conditions is not satisfied, the Offer will not proceed and Brickworks will refund Application Monies (without interest) as soon as practicable.

2.2 Structure of the Offer

Allotment and allocation policy

Brickworks intends to allot PAVERS under this Offer on 17 October 2003 subject to satisfaction of the conditions precedent described in Section 2.1.

The Joint Lead Managers have the right, in consultation with Brickworks, to nominate the persons to whom the PAVERS offered under the Offer will be allocated subject to the guaranteed minimum allocation for Eligible Shareholders and Employee Share Plan Members described below. The Joint Lead Managers' right extends to the right to nominate allottees in respect of firm allocations to institutional and retail broker firm investors. The distribution of each firm allocation to clients by a broker to the Offer will be at the discretion of that broker, will not be scaled back, and will be subject to the terms and conditions of the relevant offer made by the Joint Lead Managers.

The minimum Offer size is \$150 million. If demand for PAVERS exceeds 1,500,000 PAVERS (\$150 million), Brickworks, in consultation with the Joint Lead Managers, will consider accepting over-subscriptions for up to 150,000 PAVERS (\$15 million), scaling back Applications, or both.

Subject to the guaranteed minimum allocation for Eligible Shareholders and Employee Share Plan Members described below, Brickworks and the Joint Lead Managers reserve the right to reject any Application, or to allocate any applicant a lesser number of PAVERS than those applied for, including less than the minimum application of \$5,000.

If an Application is not accepted, or is accepted in part only, the relevant part of the Application Monies will be refunded to the applicant as soon as practicable after the Offer closes. No interest will be paid in respect of refunded money.

Eligible Brickworks Shareholders and Employee Share Plan Members

Brickworks Shareholders with a registered address in Australia as at 7:00pm (Sydney time) on 28 August 2003 ("Eligible Shareholders") and Employee Share Plan Members will be entitled to a guaranteed minimum allocation of 50 PAVERS (\$5,000).

In order to receive the guaranteed minimum allocation, Eligible Shareholders and Employee Share Plan Members must complete the personalised blue Application Form.

If Eligible Shareholders or Employee Share Plan Members apply for more than 50 PAVERS they will be entitled to the guaranteed minimum allocation of 50 PAVERS but beyond that may be scaled back at the discretion of Brickworks and the Joint Lead Managers.

In order to comply with the conditions of an ASX waiver to allow all Shareholders to vote on the resolution to approve the issue of PAVERS, the participation of any Shareholder in the total Offer is restricted to the greater of:

- that Shareholder's pro rata proportion of the total number of PAVERS in the Offer (based on that Shareholder's percentage shareholding in Brickworks); and
- 82,500 PAVERS (\$8,250,000).

ASX listing

Application will be made to ASX within seven days after the date of this Prospectus for official quotation of the PAVERS issued under this Prospectus.

It is expected that holding statements will be despatched on or about 17 October 2003 and that trading of PAVERS on ASX will commence on or about 22 October 2003. If quotation approval is not granted by ASX, the PAVERS will not be issued and Application Monies will be refunded to applicants without interest.

Refunds

If you are not allocated any PAVERS or you are allocated fewer PAVERS than the number you applied for, you will receive a refund cheque as soon as practicable after the conclusion of the Offer. No interest will be payable on Application Monies. In addition, if the Offer does not proceed for any reason at all, applicants will have their Application Monies refunded to them (without interest) as soon as practicable.

Provision of holding statements

Brickworks will apply for PAVERS to participate in CHESS and, if official quotation is granted by ASX, no share certificates will be issued. Each Holder will be provided with a statement of holding which sets out the number of PAVERS held.

Holding statements for the PAVERS issued pursuant to this Prospectus are expected to be despatched on or about 17 October 2003.

Prospectus available on-line

A copy of this Prospectus may be viewed on-line in read-only format on Brickworks' website at www.brickworks.com.au. During the Offer period electronic copies of this Prospectus will include an Application Form (but not the personalised blue Application Form for use by Eligible Shareholders and Employee Share Plan Members).

Persons who receive a copy of this Prospectus in electronic form at www.brickworks.com.au are entitled to obtain a paper copy of the Prospectus (including any relevant accompanying Application Form) free of charge, during the Offer period by contacting the PAVERS Offer Information Line on 1300 556 090.

The Offer constituted by this Prospectus in electronic form is available only to persons receiving the Prospectus in electronic form within Australia who are Australian residents. Completed Application Forms must be mailed or delivered to Brickworks in the manner set out in Section 1.6. There is no facility for on-line Applications, however, investors may obtain the relevant Application Form from the Brickworks website and submit the completed Application Form to the address set out in Section 1.6.

Eligible Shareholders and Employee Share Plan Members should ensure they obtain and apply on the personalised blue Application Form in order to ensure that they are eligible for their guaranteed minimum allocation. The personalised blue Application Form will not be available electronically.

TFNs/ABNs

Investors should note that if they do not provide their tax file number (TFN) or TFN exemption details (if applicable) or Australian Business Number (ABN) (if PAVERS are held as part of an enterprise carried on by an investor) to Brickworks, then Brickworks will be required to withhold tax at the highest marginal rate including the Medicare levy (currently 48.5%) on the amount of any unfranked Dividend in respect of PAVERS held by those investors. A TFN/ABN collection form will be sent to investors together with their holding statements, which are expected to be despatched on or about 17 October 2003.

Underwriting

The minimum issue size of 1,500,000 Brickworks PAVERS (\$150 million) is underwritten by the Underwriters. A summary of the Offer Management Agreement is set out in Section 7.6. The underwriting is subject to certain termination events, details of which are also set out in Section 7.6. If any of those events occurs, the Underwriters may, at their election, terminate their underwriting obligations.

3. BRICKWORKS AND ITS OPERATIONS

3.1 Overview of Brickworks

Brickworks was incorporated in 1934 and listed on ASX in 1962. Brickworks is one of Australia's largest manufacturers of clay building products and is also involved in the management of various Australian investments.

Brickworks' existing business comprises four components: clay products manufacturing, a 42.8% holding in Soul Pattinson, an investment portfolio comprising listed Australian securities, and a land and property realisation business. Soul Pattinson is also the largest shareholder in Brickworks, currently holding a 49.8% interest.

Brickworks recently made a takeover offer for Bristile. At the close of the takeover offer, Brickworks had acquired 97% of Bristile. Brickworks is now in the process of compulsorily acquiring the remaining shares, in accordance with the provisions of the Corporations Act. Following completion of the acquisition, Brickworks believes it will be the largest brick and paver manufacturer, the largest floor tile manufacturer and the third largest roof tile manufacturer in Australia.

Section 3.2 describes the Brickworks business prior to the acquisition of Bristile. The acquisition of Bristile and the Bristile business profile are discussed in Sections 3.3 and 3.4 respectively. The combined Brickworks Group is discussed in Section 3.5.

3.2 Brickworks Business Profile

Clay products

Brickworks' clay products operations are principally conducted through Austral Bricks and Eureka Tiles. Prior to completion of the Bristile acquisition, Austral Bricks was the third largest clay bricks and pavers manufacturer in Australia, operating predominantly in New South Wales and Queensland and Eureka Tiles was the largest floor tile manufacturer in Australia. The clay products operations accounted for 37.9% of Brickworks' 2003 net profit before tax and unallocated expenses.

In addition, as at 30 June 2003, Brickworks held 22.9% of Bristile's issued shares which, on an equity accounted basis, contributed 8.6% of Brickworks' 2003 net profit before tax and unallocated expenses.

Bricks and pavers

Brickworks' clay bricks and pavers business is principally conducted through Austral Bricks. Austral Bricks has two plants in Queensland and five plants in New South Wales. Austral Bricks' plants are automated where possible and Brickworks considers them to be the most modern in Australia. The plants have tunnel kilns, which run on natural gas and most have substantial on-site clay reserves. The Company believes it is one of Australia's lowest cost producers of clay bricks and pavers.

The majority of Austral Bricks' production is sold in Australia. However, Austral Bricks also has growing export sales to New Zealand, Japan, Hong Kong, Taiwan and Korea.

Floor tiles

Brickworks produces a wide range of floor tiles and ceramic bathroom fittings and accessories for use in domestic and commercial applications. The Company produces floor tiles at its sites in Ballarat, Victoria and Punchbowl, NSW.

Investment in Soul Pattinson

Brickworks has a 42.8% shareholding in Soul Pattinson, an Australian public company listed on ASX. Soul Pattinson has a diverse investment portfolio, which includes strategic investments in the coal mining, television, pharmaceutical, telecommunications, and food and beverage sectors and a 49.8% shareholding in Brickworks. The market value of Brickworks' shareholding in Soul Pattinson, as at 30 June 2003, was \$598 million. Soul Pattinson accounted for 33.6% of Brickworks' 2003 net profit before tax and unallocated expenses and the Company received dividends from Soul Pattinson totalling \$20.5 million during the 2003 financial year.

Investment portfolio

Brickworks holds an investment portfolio of ASX listed securities, comprising over 50 different investments. As at 30 June 2003, this portfolio had a total market value of \$152.4 million. The portfolio is managed by the Brickworks Board for dividend income and for long-term capital growth.

The investment operations accounted for 11.8% of Brickworks' 2003 net profit before tax and unallocated expenses.

On 26 August 2003, Brickworks announced that it is considering establishing a separately listed investment company. If this proposal proceeds, Brickworks plans to divest its investment portfolio into this company, in exchange for cash proceeds and a substantial shareholding in the company. Substantially all of the cash proceeds of any such divestment are expected to be used to repay debt.

Land and property realisation

Brickworks is involved in the realisation of its surplus land holdings, redevelopment of brick factories and quarries, subdivision of sites, pursuing landfill opportunities and other opportunities to utilise better the land owned by Brickworks. There are a number of sites currently at various stages of planning, approval or development. The Company expects these developments to provide a significant financial contribution to Brickworks in the foreseeable future.

Brickworks' land and property realisation operations accounted for 8.1% of Brickworks' 2003 net profit before tax and unallocated expenses.

3.3 Recent Acquisition of Bristile

Brickworks has recently made a successful takeover offer for Bristile.

Brickworks' final offer was \$3.65 for each Bristile share, and it was agreed that eligible Bristile shareholders could retain the 22.5 cent dividend declared by Bristile on 1 July 2003. The final offer (excluding the dividend) implied a value of Bristile's equity of \$553 million and will result in cash payments by Brickworks of \$431 million for the shares not already owned by Brickworks prior to the takeover. In addition, the Brickworks Group debt now includes all of Bristile's debt, which stood at \$68 million as at 30 June 2003. The outstanding debt of the combined group subsequently increased by \$34 million as a result of the dividend paid to eligible Bristile shareholders and expenses associated with the takeover offer.

At the close of the takeover offer, Brickworks had acquired 97% of Bristile. Brickworks is now in the process of compulsorily acquiring the remaining shares, in accordance with the provisions of the Corporations Act. Bristile shares were suspended from official quotation on ASX on the close of trading on 13 August 2003.

3.4 Bristile Business Profile

Prior to the acquisition by Brickworks, Bristile was Australia's second largest manufacturer of clay bricks and pavers and the third largest manufacturer of clay and concrete roof tiles, with significant operations in most States. Bristile has low cost manufacturing operations with substantial clay reserves near all its manufacturing plants. Bristile is also involved in the installation of roof tiles.

Bristile's Metro Brick business is a major producer of clay bricks and pavers in Western Australia. Products are manufactured at five plants in Western Australia. These plants produce a wide range of face bricks, pavers and internal blocks which Bristile sells primarily in the Western Australian market, as well as exporting to parts of South East Asia and the Middle East.

Bristile Clay Tiles is the only manufacturer of clay roofing tiles in Western Australia, operating the largest clay tile plant in Australia. In addition, it provides transportation and installation services to its customers. Bristile Clay Tiles also sells its tiles into other Australian States and exports a small quantity of its clay roof tiles.

Bristile's Nubrik business is the largest clay bricks and pavers manufacturer in Victoria, with three manufacturing plants around Melbourne. Nubrik also operates a clay bricks and pavers manufacturing factory near Launceston in Tasmania, which manufactures product for the Tasmanian market as well as for export to Asia and New Zealand. In addition, Nubrik operates a concrete roof tile plant at Dandenong in Victoria.

Bristile's Hallett Brick business is the major clay bricks and pavers manufacturer in South Australia. Hallett Brick is also involved in the installation of roof tiles and pavers, sourcing its roof tiles from plants in Western Australia and Victoria.

Bristile's Pioneer Roof Tiles business operates a concrete roof tile manufacturing plant in Queensland, and distributes and installs roof tiles in New South Wales and Queensland.

3.5 The Combined Brickworks Group

Brickworks believes that the acquisition of Bristile will bring a number of benefits to the combined business including:

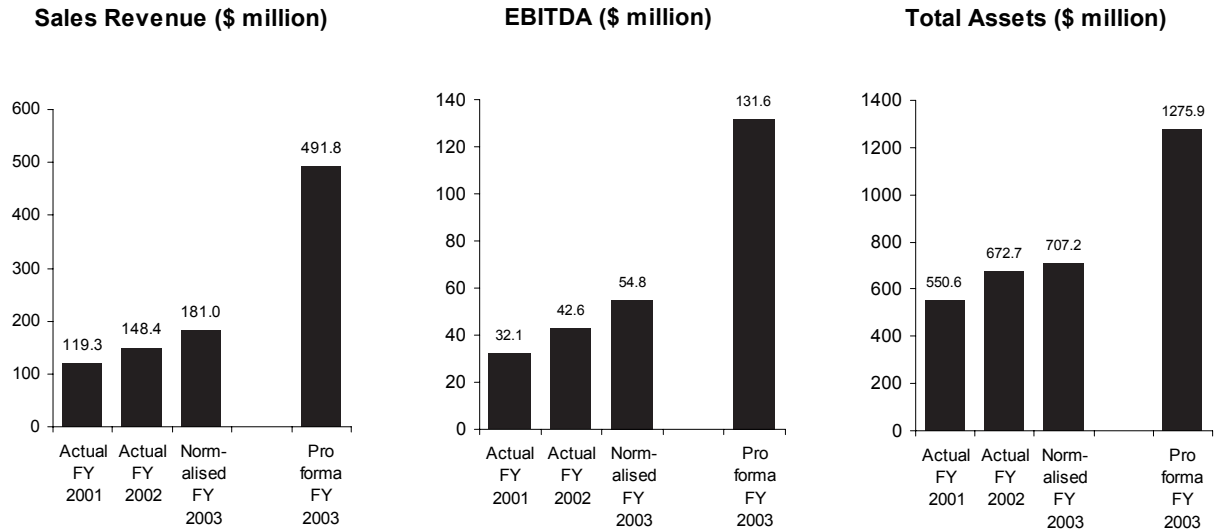
- **geographical diversity** leading to a reduction in sales volatility and more consistent profit performance;
- **increased awareness of the products and brands** of each of Austral and Bristile, in particular Austral's technically advanced products such as slick bricks, mighty bricks, clay links and large format pavers and Bristile's concrete and ceramic roof tiles;
- **national manufacturing and marketing** of products and brands of the combined business, leading to potential nation-wide sales accounts;
- **improved efficiency** by taking the best equipment, practices and procedures from each of the two businesses and, where possible, applying them over the combined business;
- **increased scale and financial capacity** of the combined business, which will allow increased resources to be devoted to:
 - developing new and upgrading existing manufacturing facilities;
 - investment in research and development, which underpins Austral's reputation for supplying some of the most technically advanced products in the Australian market;
 - competing for national accounts based on the increased geographical and product coverage of the combined group; and
 - further developing exports to the Asian and New Zealand markets, which have been increasingly important to both companies; and
- **cost savings** resulting from the combination and centralisation of corporate head office functions such as company secretarial, treasury, financial management and insurance.

Brickworks intends to carry out a review of the combined group's operations, focusing on the following in relation to particular businesses:

- clay bricks and pavers operations:
 - ensuring that the most efficient practices and procedures of the two businesses are employed across the whole of the combined clay bricks and pavers business;
 - identifying opportunities for development and upgrade of manufacturing facilities;
 - developing a strategy to enable the combined business to obtain maximum benefit from its increased scale and national coverage;
 - identifying other areas of potential cost savings; and
 - investigating the installation of a large capacity slick brick plant at Cardup to ensure the combined group maintains its competitive position in Western Australia;
- roof tile operations:
 - implementing a strategic review of the roof tile operations of Bristile (in conjunction with Bristile management currently responsible for those operations) to determine whether those operations should be maintained in their current format or whether other commercial opportunities should be pursued; and
- Bristile's clay and brick haulage operations, and other ancillary transport and warehouse operations:
 - rationalising the operations or, if appropriate, divesting them in an orderly and price maximising fashion.

3.6 Financial Highlights and Outlook

The following financials have been extracted from the audited financial statements of Brickworks for the years ended 30 June 2001 and 30 June 2002 . The normalised information and the pro forma information for the year ended 30 June 2003 has been extracted from column 1 and column 6, respectively, of the financial information presented in Section 4.



Brickworks anticipates that, while the fundamentals of interest rates, employment and immigration remain stable, the building industry will continue at close to capacity. Clay products order levels currently remain strong and volumes are currently expected to remain robust at least until the end of the 2003 calendar year. It is the case, however, that the building and construction industry in which Brickworks operates is cyclical and there is a general expectation for a downturn in activity in the short-term. Low stock levels and a substantial order book place Brickworks in a good position in the short-term to minimise the financial impact of this expected downturn.

4. EFFECT OF THE OFFER ON BRICKWORKS

4.1 Pro Forma Statements of Financial Performance

Year ended 30 June 2003	Normalised Brickworks	Normalised Bristile	Acquisition Adjustments	Total Pre PAVERS	Impact of PAVERS	Combined Pro Forma
\$ million						
Column	1	2	3	4	5	6
Sales	181.0	310.8	-	491.8	-	491.8
EBITDA	54.8	76.8	-	131.6	-	131.6
Depreciation	(11.4)	(12.2)	-	(23.6)	-	(23.6)
Amortisation	-	(1.3)	(15.3)	(16.6)	-	(16.6)
EBIT	43.4	63.3	(15.3)	91.4	-	91.4
Interest expense	(5.0)	(5.2)	(25.4)	(35.6)	8.7	(26.9)
Interest income	1.6	0.4	(1.5)	0.5	-	0.5
Share of associate profits	35.3	0.2	(7.2)	28.3	-	28.3
Profit before tax	75.3	58.7	(49.4)	84.6	8.7	93.3
Tax expense	(8.5)	(15.0)	8.0	(15.5)	(2.6)	(18.1)
Profit after tax	66.8	43.7	(41.4)	69.1	6.1	75.2
PAVERS dividend	-	-	-	-	(9.3)	(9.3)
Profit attributable to ordinary shareholders	66.8	43.7	(41.4)	69.1	(3.2)	65.9
Reconciled to the audited financial statements as follows:						
Takeover defence related costs	-	(8.2)				
Tax effect of entering tax consolidation regime	5.9	-				
Tax effect of adjustments	-	2.5				
Reported profit after income tax	72.7	38.0				

Explanation of Pro Forma Statements of Financial Performance

The pro forma statements of financial performance are presented as if the Bristile acquisition and PAVERS issue had occurred on 1 July 2002. Each column of the table has been prepared as follows:

- **Column 1 (Normalised Brickworks)** – has been extracted from the audited financial statements of Brickworks for the year ended 30 June 2003. Results for the year ended 30 June 2003 have been adjusted to exclude the one off tax benefit derived on the uplift of tax asset values following Brickworks' entry into the tax consolidation regime.
- **Column 2 (Normalised Bristile)** – has been extracted from the audited financial statements of Bristile for the year ended 30 June 2003. Results for the year ended 30 June 2003 have been adjusted to exclude takeover defence costs incurred (including tax effects).
- **Column 3 (Acquisition Adjustments)** – represents notional consolidation adjustments, including the financial effect of the borrowings raised and cash used to fund the acquisition, eliminating Brickworks' share of associate profits from Bristile, the subsequent dividend paid to eligible Bristile shareholders and notional amortisation of goodwill on consolidation. The actual amortisation amount will depend on the outcome of the allocation of fair values to the assets of Bristile (refer to the Explanation of Pro Forma Statements of Financial Position below).
- **Column 4 (Total Pre PAVERS)** – is the aggregate of columns 1 to 3, which represents the combined pro forma statement of financial performance for the expanded Brickworks Group, excluding the financial effects of PAVERS issue. This information should be viewed as illustrative only and does not purport to be indicative of projected results of operations for any future period.

- **Column 5 (Impact of PAVERS)** – represents the financial effect of issuing \$150 million of PAVERS. Funds raised from PAVERS issue (net of issue costs) have been used to reduce borrowings, and hence interest expense (based on the funding cost of 5.93% per annum). A dividend rate of 6.195% has been assumed, representing a margin of 0.65% over the Swap Rate on the day prior to lodgement of the Prospectus. The sensitivity of the profit attributable to ordinary shareholders to changes in the amount raised and dividend rate is shown in Section 4.5.
- **Column 6 (Combined Pro Forma)** – is the aggregate of columns 4 and 5, which represents the combined pro forma statement of financial performance for the expanded Brickworks Group, including the financial effects of PAVERS issue. This information should be viewed as illustrative only and does not purport to be indicative of projected results of operations for any future period.

4.2 Pro Forma Statements of Financial Position

At 30 June 2003	Audited Brickworks	Audited Bristle	Acquisition Adjustments	Total Pre PAVERS	Impact of PAVERS	Combined Pro Forma
\$ million						
Column	1	2	3	4	5	6
Current assets						
Cash	39.9	-	(38.9)	1.0	-	1.0
Receivables	24.2	40.6	-	64.8	-	64.8
Other financial assets	1.0	-	-	1.0	-	1.0
Inventories	28.2	50.1	-	78.3	-	78.3
Other	3.7	1.8	1.9	7.4	-	7.4
Total current assets	97.0	92.5	(37.0)	152.5	-	152.5
Non-current assets						
Other financial assets ¹	65.4	-	-	65.4	-	65.4
Inventories	1.6	-	-	1.6	-	1.6
Investments accounted for using the equity method	320.4	1.1	(90.6)	230.9	-	230.9
Property, plant and equipment	217.8	249.5	11.0	478.3	-	478.3
Intangibles	-	35.8	306.4	342.2	-	342.2
Deferred tax assets	5.0	-	-	5.0	-	5.0
Total non-current assets	610.2	286.4	226.8	1,123.4	-	1,123.4
Total assets	707.2	378.9	189.8	1,275.9	-	1,275.9
Current liabilities						
Payables	13.5	28.6	-	42.1	-	42.1
Current interest-bearing liabilities	70.0	68.0	421.3	559.3	(147.0)	412.3
Current tax liabilities	1.5	12.3	-	13.8	-	13.8
Provisions	10.4	53.4	(34.1)	29.7	-	29.7
Total current liabilities	95.4	162.3	387.2	644.9	(147.0)	497.9
Non-Current liabilities						
Provisions	4.1	6.6	-	10.7	-	10.7
Deferred tax liabilities	0.6	7.4	-	8.0	-	8.0
Total non-current liabilities	4.7	14.0	-	18.7	-	18.7
Total liabilities	100.1	176.3	387.2	663.6	(147.0)	516.6
Net assets	607.1	202.6	(197.4)	612.3	147.0	759.3
Equity						
Contributed equity ²	139.4	118.8	(118.8)	139.4	147.0	286.4
Reserves	258.2	24.4	(24.4)	258.2	-	258.2
Retained profits	209.5	59.4	(54.2)	214.7	-	214.7
Total equity	607.1	202.6	(197.4)	612.3	147.0	759.3

1 The anticipated introduction of International Financial Reporting Standards (IFRS) in January 2005 is likely to require investments in listed equities to be stated at fair value.

2 The anticipated introduction of International Financial Reporting Standards (IFRS) in January 2005 is likely to require PAVERS to be reclassified as a liability for accounting purposes.

Explanation of Pro Forma Statements of Financial Position

The pro forma statements of financial position are presented as if the Bristile acquisition and the PAVERS issue had occurred on 30 June 2003. Each column of the table has been prepared as follows:

- **Column 1 (Audited Brickworks)** – represents Brickworks' actual audited financial position as at 30 June 2003.
- **Column 2 (Audited Bristile)** – represents Bristile's actual audited financial position as at 30 June 2003.
- **Column 3 (Acquisition Adjustments)** – represents the notional consolidation adjustments, including expected goodwill on consolidation, the financial effect of the borrowings raised and cash used to fund the acquisition, and the subsequent dividend paid to eligible Bristile shareholders. For the purposes of preparing the pro forma statement of financial position, the book values of Bristile's identifiable assets (other than the difference between book value and market value of land and buildings as disclosed in Bristile's audited financial report) have been assumed to equal their fair values. Subsequent to the finalisation of the acquisition, Brickworks' management will undertake a review of the fair values of identifiable assets. Any adjustments will be reflected in the value of goodwill.
- **Column 4 (Total Pre PAVERS)** – is the aggregate of columns 1 to 3, which represents the combined pro forma statement of financial position for the expanded Brickworks Group, excluding the financial effect of PAVERS issue.
- **Column 5 (Impact of PAVERS)** – represents the financial effect of PAVERS issue net of expected issue costs. The sensitivity of net assets and total equity to changes in the amount raised is shown in Section 4.5.
- **Column 6 (Combined Pro Forma)** – is the aggregate of columns 4 and 5, which represents the combined pro forma statement of financial position for the expanded Brickworks Group, including the financial effect of PAVERS issue.

4.3 Debt Facilities Disclosure

In support of the acquisition of Bristile, Brickworks obtained senior financing of \$490 million from National Australia Bank Limited ("the National") by way of a bridge facility. The bridge facility is structured in two tranches, a \$465 million acquisition facility and a \$25 million working capital facility, both of which mature on 31 March 2004. Under the terms of the bridge facility, Brickworks must make a \$100 million amortisation payment on or before 31 December 2003. If the facility is extended beyond 31 March 2004 with the agreement of the National, a further payment of \$50 million on or before 31 March 2004 is required. The facility is secured by first ranking security over Brickworks and various of its subsidiaries.

The Brickworks Group debt now also includes Bristile's debt of approximately \$102 million in the form of senior funding provided by the Australian and New Zealand Banking Group Limited ("ANZ"). While the acquisition of Bristile by Brickworks did give rise to certain review rights by ANZ, ANZ has in writing waived its rights under the change of control clause.

In order to refinance the bridge facility in March 2004, Brickworks has negotiated an option with the National to convert the bridge facility to a term facility for \$450 million comprising two tranches. Tranche A has two sub-limits for an acquisition facility of \$315 million and a refinancing facility (to repay existing Bristile debt) of \$110 million. Tranche B is a working capital tranche of \$25 million. The expiry of the term facility is the earlier of three years or 31 March 2007, with repayments of \$20 million in respect of Tranche A required every six months.

The National has provided an underwriting commitment for the term facility (subject to documentation and certain other conditions customary for an underwriting commitment of this nature) together with a detailed term sheet. The National's underwriting commitment expires on 31 March 2004 unless cancelled before then in the limited circumstances specified for cancellation. The term facility is on usual market terms and conditions for a facility of this nature and contains various undertakings usual for this type of facility, including a negative pledge and limitations on gearing, dividend distributions and interest cover. The facility would also be secured by first ranking security over Brickworks and various of its subsidiaries.

Brickworks intends to use substantially all of the proceeds from PAVERS and proceeds raised from the proposed divestment of Brickworks' investment portfolio to repay debt. If both the issue of PAVERS and the proposed divestment of Brickworks' investment portfolio occur, Brickworks' outstanding senior debt facilities would be significantly reduced.

4.4 Combined Effect on Selected Ratios

At 30 June	Combined Pro Forma Pre PAVERS	Combined Pro Forma
Diluted Earnings per Share (cents)	52.5	50.1
Return on Equity	11.3%	8.7%
Interest Bearing Debt/(Interest Bearing Debt + Equity)	47.7%	35.2%
EBITDA ¹ /(interest expense + PAVERS Dividend)	4.5x	4.4x
EBIT ¹ /(interest expense + PAVERS Dividend)	3.3x	3.3x
Interest Bearing Debt / EBITDA ¹	3.5x	2.6x

¹ EBITDA and EBIT include share of associate profits.

4.5 Sensitivities to Amounts Raised Under the Offer and Dividend Rates

The pro forma statements shown above have been based on the minimum raising of \$150 million. The Directors reserve the right to accept up to \$15 million in over-subscriptions. The material impacts of the additional raising of \$15 million on the pro forma information are shown below. The impacts of lower amounts of over-subscriptions would in general be pro rata to the impact of the additional raising of \$15 million.

- Contributed equity, total equity and net assets would increase by \$14.8 million, being \$15 million less associated costs. Borrowings would reduce by the same amount.
- Interest expense would decrease by \$0.9 million, income tax expense would increase by \$0.3 million, Dividends payable (subject to Brickworks' Directors determining to pay such Dividends) on PAVERS would increase by \$0.9 million, with the profit attributable to ordinary shareholders decreasing by \$0.3 million.

The pro forma statements have also assumed that the Dividend Rate on PAVERS will be 6.195%. For each 0.1% increase in the Swap Rate, the additional amount payable (subject to Brickworks' Directors determining to pay such Dividends) by way of Dividend on \$150 million of PAVERS would equal \$0.15 million. This would not have a material impact on any of the pro forma information set out in this Prospectus.

5. RISKS ASSOCIATED WITH INVESTING IN PAVERS

Before applying for PAVERS, prospective investors should consider whether PAVERS are a suitable investment for them. Prospective investors should be aware that there are risks associated with an investment in PAVERS, many of which are outside the control of Brickworks, including the risk factors set out below and other matters referred to in this Prospectus.

5.1 Risks Associated with Investing in PAVERS

Financial market conditions

The market price of PAVERS will fluctuate due to various factors, including general movements in the Australian and international equity markets, investor perceptions, world-wide economic conditions, movements in interest rates, movements in the market price of Ordinary Shares, and factors which may affect Brickworks' financial position and earnings.

The market price of PAVERS may be more sensitive than Ordinary Shares to changes in interest rates. Increases in relevant interest rates may adversely affect the market value of PAVERS and PAVERS could trade on ASX at a price below the Issue Price.

The Ordinary Shares held as a result of any Conversion will, following Conversion, rank equally with all other Ordinary Shares. Accordingly, their value after Conversion will depend upon the market price of Ordinary Shares which will also fluctuate.

Liquidity

The market for PAVERS may be less liquid than the market for Ordinary Shares.

Dividends

PAVERS are not debt instruments, and Dividends are not the same as interest payments.

Payment of Dividends on PAVERS is subject to the Directors determining to pay a Dividend, and there being no legal impediment to Brickworks' payment of the Dividend (such as there being insufficient profits out of which to pay a Dividend). Dividends are non-cumulative, and therefore if a Dividend or part of a Dividend cannot be paid in any period, it need not be made up in any subsequent periods.

Holder initiated Exchange

A Holder may request Brickworks to Exchange any of that Holder's PAVERS at certain times and by giving due notice. In such an event, Brickworks may at its election convert PAVERS into Ordinary Shares or Repurchase or resell PAVERS and deliver the Issue Price to the Holder or do a combination of the same. The choice between Conversion into Ordinary Shares or the payment of the Issue Price in cash is made by Brickworks, not the Holder, and it is possible that Brickworks' choice may not suit the Holder. It is also possible that in the event of a Repurchase the type of Repurchase chosen by Brickworks may not suit the Holder or the Holder's tax position.

If Conversion does occur, the Ordinary Shares issued on Conversion will have the same rights as other Ordinary Shares, which are different from the rights attaching to PAVERS.

The number of Ordinary Shares issued on Conversion will generally vary depending on the market price of Ordinary Shares over the 20 Business Days immediately prior to the Conversion date. The value of the Ordinary Shares issued on the Conversion date may therefore be lower than the value calculated through the 20 Business Day pricing period.

Brickworks initiated Exchange

Brickworks has the right to compel Exchange of any Holder's PAVERS on Reset Dates or in certain other circumstances (see Terms of Issue for details). Consequently, PAVERS held by any Holder may be compulsorily converted into Ordinary Shares or Repurchased for their Issue Price, as determined by Brickworks, at dates not previously contemplated by the Holder, which may be disadvantageous in light of market conditions or individual circumstances. It is also possible that in the event of a Repurchase the type of Repurchase chosen by Brickworks may not suit the Holder or the Holder's tax position.

Ranking

PAVERS are not debt instruments. Consequently, upon any winding up of Brickworks, Holders of PAVERS will rank behind creditors of Brickworks to the extent of the Issue Price of the PAVERS and any accrued Dividend entitlement (for the next Dividend period up to the commencement of winding-up).

In the event of a shortfall of funds on a winding up, there is a risk that Holders of PAVERS will not receive a full return of capital or such accrued Dividend entitlement on the PAVERS.

Brickworks may issue additional equity securities, including further PAVERS, which rank equally with PAVERS as to dividends and return of capital. Brickworks may also issue additional debt securities, which rank in priority to PAVERS for interest payments and repayment of principal. Brickworks would not require the approval of the Holders of existing PAVERS for any of these types of issues.

Taxation considerations and early Exchange

A general outline of the taxation consequences in Australia of investing in PAVERS is set out in Section 6. That outline is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, investors should seek independent advice in relation to their own individual taxation position.

Investors should be aware that any future changes in Australian tax law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect the taxation treatment of the acquisition, holding and disposal of PAVERS. In addition, it may provide grounds under the Terms of Issue for Brickworks to require early Exchange of PAVERS (see Appendix A for further details).

5.2 Risks Associated with Brickworks

There are a number of risk factors specific to an investment in Brickworks. These risk factors may impact upon the performance, profitability, financial position and prospects of Brickworks. These risk factors include, but are not limited to:

Economic factors

Changing economic events and factors which are beyond the control of Brickworks such as inflation, changes in taxation and other laws, changes in government policies, currency fluctuations, interest rate movements, net migration levels, employment rates, industrial action and vagaries of the stockmarket, may have an adverse financial impact on Brickworks and may restrict its ability to pay and/or frank Dividends.

Cyclical markets

The building and construction materials markets served by Brickworks are cyclical in their nature. The building and construction industry in Australia has experienced strong levels of activity in recent periods and there is a general expectation for a downturn of activity in the short term. A downturn in the building and construction industry may result in a decrease in sales volumes, lower capacity utilisation of Brickworks' plants and/or downward pressure on operating margins, all of which may have an adverse financial impact on Brickworks and may restrict its ability to pay and/or frank Dividends.

Competitive products or technology

Development of new products or technology in competition with Brickworks' products or technology, or an increase in competition from existing substitute products, or changes in market practices or fashions, may have an adverse financial impact on Brickworks and may restrict its ability to pay and/or frank Dividends.

Reliance on earnings from Soul Pattinson

Brickworks derives a significant proportion of its earnings as a result of its investment in Soul Pattinson. Soul Pattinson itself has a diverse range of investments across a range of industries which are themselves subject to a number of risks. Any decrease in Soul Pattinson's earnings, dividend and/or the level of dividend franking will have an adverse financial impact on Brickworks and may restrict its ability to pay and/or frank Dividends.

Capital expenditure requirements

Brickworks' operating and financial performance is partly reliant on the capital equipment within the business. Brickworks will be required to invest capital in order to maintain this equipment. These capital expenditure requirements may impact the cash flow available to service financing obligations, including Dividends.

Price wars

Brickworks' major products are subject to periodic price wars in which some producers may opportunistically seek to preserve or gain market share by aggressive price discounting.

The risk of such competitive conduct may be increased in periods of weak demand, or following entry into markets by new participants. If a price war is extensive or protracted, this may have an adverse financial impact on Brickworks and may restrict its ability to pay and/or frank Dividends.

New Entrants

Brickworks is subject to the possibility of new entrants into its markets, which may intensify the level of competition. For example, BGC, a major Western Australian building construction company, has signalled that it is considering entering the Western Australian brick market, which may result in increased competition in this market.

The entry of new participants into Brickworks' markets may have an adverse financial impact on Brickworks and may restrict its ability to pay and/or frank Dividends.

Environment

Brickworks' operations are subject to environmental laws and regulations in each of the jurisdictions in which it operates. While Brickworks believes that its operations and activities are in compliance in all material respects with such laws and regulations, no assurance can be given that the application of these laws and regulations or the adoption of new laws and regulations will not have an adverse financial impact on Brickworks or restrict its ability to pay and/or frank Dividends.

Legislative and regulatory changes

Brickworks is subject to changes in legislation and regulations, which may have an adverse financial impact on the Company and may restrict its ability to pay and/or frank Dividends.

These changes could include changes to building and planning laws and regulations, which could result in the redundancy of, or reduced demand for, some or all of the Company's products. For example, there is some discussion in the industry of possible harmonisation of Australian and New Zealand building codes which, among other things, could result in more stringent earthquake requirements and could reduce the application of bricks in multi-storey buildings.

Employees

Brickworks' operating and financial success depends partly upon the performance, efforts and expertise of its management and other employees. There can be no assurance that Brickworks will be successful in attracting and retaining key management and other employees.

Refinancing

No assurance can be given that any refinancing required from time to time will be available on terms favourable to Brickworks. If Brickworks is unable to secure refinancing on favourable terms, this may have an adverse financial impact on Brickworks and may restrict its ability to pay and/or frank Dividends.

Acquisition of Bristile

Brickworks may not be able to integrate its operations successfully with those of Bristile or to realise the full cost savings, economies of scale and other benefits that Brickworks anticipates. The acquisition of Bristile involves the integration of businesses that have previously operated independently, which will involve, among other things, co-ordinating geographically separated organisations, integrating personnel with diverse business backgrounds and combining different corporate and workplace cultures. The process of integrating operations could, among other things, divert management's attention, interrupt or lose momentum in the activities of one or more of the businesses and result in the loss of key personnel, any of which could have an adverse financial impact on Brickworks and may restrict its ability to pay and/or frank Dividends.

Brickworks has commenced the process for compulsory acquisition of the remainder of the shares in Bristile not owned by it. It is possible that minority shareholders could take Court proceedings for an order that their securities not be compulsorily acquired. The Courts may order that their securities not be compulsorily acquired only if the Court is satisfied that the consideration is not fair value for the securities. Brickworks believes that the consideration is fair value.

Litigation

Like any company operating in the building and construction industry, Brickworks is exposed to risks of litigation in relation to its activities. At the date of this Prospectus, however, there are no material litigation proceedings, threatened or pending, apart from the following.

The Australian Competition and Consumer Commission ("ACCC") has instituted proceedings alleging price fixing by a subsidiary of Bristile (which is now part of the Brickworks Group) and another brick manufacturer, Midland Brick Company Pty Ltd (trading as Midland Brick), in the Federal Court, Perth. The ACCC is seeking declarations, injunctions, pecuniary penalties, adverse publicity orders and costs. The maximum penalties for a breach of the price fixing provisions of the Trade Practices Act are \$10 million per contravention. The ACCC alleges two contraventions in the present case.

If the ACCC is successful in its claim then, depending on the amount of the penalties actually imposed and other costs incurred, this could have an adverse financial impact on Brickworks and may restrict its ability to pay and/or frank Dividends.

Bristile is currently obtaining legal advice in relation to the proceedings and at this stage the final outcome of the proceedings is unknown.

Exports

Brickworks exports products to various international markets. Brickworks' access to these markets and/or demand from customers in these markets could be affected by changes in economic factors, conflicts and terrorist activities, competitive products or technology, price wars and new entrants, legislative changes, exchange rates and foreign trade policies.

Changes in Brickworks' access to these markets and/or demand from customers in these markets could have an adverse financial impact on Brickworks and may restrict its ability to pay and/or frank Dividends.

Information technology

While Brickworks makes every effort to ensure that its information technology systems are maintained and improved to best meet the demands of the businesses and their markets, system failures could have an adverse financial impact on Brickworks and restrict its ability to pay and/or frank Dividends.

The above summary is not exhaustive and prospective investors should read this Prospectus in its entirety and consult their stockbroker, accountant or other professional adviser before deciding whether to apply for PAVERS.

6. TAXATION REPORT

The Directors
Brickworks Limited
114 Longueville Road
Lane Cove NSW 2066

3 September 2003

Gentlemen

Brickworks Limited – Preferred Adjustable Variable Exchangeable Resettable Shares (PAVERS) Prospectus

We have acted as tax counsel to Brickworks Limited ('Brickworks') in connection with the issue of PAVERS. Set out below is a summary of certain Australian taxation consequences for PAVERS Holders, who are residents of Australia for Australian tax purposes.

This summary is based on PricewaterhouseCoopers Securities Ltd's understanding of the relevant Australian laws as at the date of this letter, as they apply to an investor in respect of PAVERS or Ordinary Shares.

This summary should be read in conjunction with the remainder of the Prospectus dated 3 September 2003. Terms used in this summary are as defined in the Prospectus, unless otherwise indicated.

This summary does not address all taxation consequences of ownership of PAVERS or Ordinary Shares. Rather, it represents a general summary of the Australian taxation position for PAVERS Holders, who are residents of Australia for Australian tax purposes. The personal circumstances of a PAVERS Holder, including their legal nature, will affect the applicable taxation consequences, and all PAVERS Holders are advised to obtain tax advice relevant to their own circumstances.

We note that the Commonwealth Government is overseeing a process of business tax reform and there is considerable uncertainty as to the breadth and ultimate impact of this reform. While we have taken account of proposed amendments to the law announced by the Government, it is possible that the law, as ultimately enacted, will vary from the announcements. All potential investors are advised to obtain advice on these reforms at the time they invest in PAVERS.

We also note at the outset that while in legal terms PAVERS are offered as preference shares in Brickworks and are convertible into Ordinary Shares of Brickworks in certain circumstances, our advice is based on the assumption that the value of the Conversion right relating to the Ordinary Shares is an insignificant proportion of the value of PAVERS. Accordingly, our advice only considers the consequences of investing in PAVERS as a single instrument prior to Conversion, or Ordinary Shares post Conversion.

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The Directors
3 September 2003

1 Tax treatment of dividends by Brickworks prior to Exchange

1.1 *The PAVERS are classified as an equity interest for Australian tax purposes*

Under Australian tax law, the treatment of dividends received by shareholders depends upon the classification of the instrument in respect of which the dividends are paid. Where the instrument is classified as an equity interest, prima facie, the dividends paid thereon can carry associated franking credits. Whereas, payments in respect of an instrument classified as a debt interest would not be eligible to carry franking credits.

The PAVERS would be classified as an equity interest. The simple reason for this is that at the outset of the transaction Brickworks is not under an obligation (either a formal legal obligation or in substance) to repay the Issue Price in cash. In particular, we note that the payment of Dividends on the PAVERS is contingent on the existence of profits (pursuant to the Corporations Act) and as the instrument is perpetual there is no fixed date at which Brickworks is effectively obliged to repay the Issue Price in cash. We note that while Brickworks has a right to Repurchase the PAVERS in certain circumstances, there is no substantive basis to conclude that Brickworks will indeed Repurchase the PAVERS at any time. At the outset, Repurchase of the PAVERS represents no more than a possibility and is certainly not more likely than (i) the PAVERS remaining outstanding, (ii) Conversion of PAVERS into Ordinary Shares of Brickworks or (iii) sale to a third party (including to a Resale Agent). It is also relevant to note that the delivery of Ordinary Shares upon Conversion will not constitute repayment of the PAVERS. Accordingly, the PAVERS will be classified as an equity interest under Australian tax law.

In light of this, Dividends paid in respect of the PAVERS can carry franking credits to the extent Brickworks determines. We understand at the outset that Brickworks expects, but does not guarantee, to fully frank the Dividends. The benefits of such franking credits will, inter alia, depend on the type of shareholder and the period for which the shares are held at the time of receipt of such Dividend.

1.2 *Assessability of dividends paid by Brickworks on PAVERS and Ordinary Shares (post Exchange)*

Australian tax consequences should only arise in respect of PAVERS Dividends to the extent they are actually paid. If Dividends are not paid on PAVERS on a Dividend Payment Date, such Dividends are non-cumulative and no Australian tax consequences arise for PAVERS Holders.

It is expected, but not guaranteed, that Dividends paid in respect of PAVERS will be fully franked by Brickworks. Accordingly, in general terms, PAVERS Holders would receive an associated franking credit and a tax offset equal to the franking credit. We understand where Brickworks does not (or can not) frank the Dividend on the PAVERS, it has a discretion to gross up the amount of the cash Dividend to put the PAVERS Holders in the same after tax position.

1.2.1 Individual taxpayers

Individual taxpayers must include all Dividends received in respect of PAVERS in their assessable income.

The Directors
3 September 2003

To the extent the Dividend is franked, their tax liability is calculated by first “grossing up” the amount of the Dividend by 30/70 (based on the underlying corporate tax rate, currently at 30%) to take account of the tax already paid. They apply their marginal tax rate to the “grossed up” Dividend amount, then apply a tax offset (i.e. a credit) for the tax paid by Brickworks. If their marginal tax rate is greater than 30% they will be required to pay “top up tax” on the amount of the excess. If their marginal tax rate is less than 30% they receive a tax offset against tax on other income or, if the tax offset exceeds their tax that would otherwise be payable, they will receive a refund of the excess.

To the extent that the Dividend is unfranked, there is no gross-up and they will be taxed at their marginal rate on the cash Dividend received, with no tax offset.

1.2.2 Corporate taxpayers

Corporate taxpayers must include in their assessable income Dividends they receive in respect of the PAVERS.

To the extent that the Dividend is franked, the company will gross up the Dividend in the same way as individuals, and similarly be entitled to a tax offset for the tax paid by Brickworks in respect of the Dividend. Accordingly, corporate taxpayers will generally pay no further tax on the Dividend as the corporate tax and the tax offset are the same rate (i.e. 30%). However, corporate taxpayers are not entitled to receive a refund of any excess tax offset amounts (or to carry forward these amounts) if the tax offset exceeds the amount of tax that would otherwise be payable by the company in an income year

Under proposed rules introduced into Parliament on 27 March 2003, excess tax offsets attaching to Dividends may be converted into a tax loss which may then be available to be carried forward.

Corporate taxpayers must record a credit in their franking account, for the amount of the franking credit attached to the Dividend.

To the extent that any Dividend received by a corporate taxpayer is unfranked, it will be fully assessable without any gross up or tax offset. Further, there will be no credit recorded in the franking account in respect of unfranked Dividends received.

1.2.3 Complying superannuation funds

Generally speaking, superannuation funds treat the receipt of a Dividend in the same way as an individual and corporate taxpayer. However, superannuation funds are subject to different tax rates. Where applicable, superannuation funds are also entitled to a refund of the excess tax offset amount in the same way as individuals.

To the extent that any Dividend received by a superannuation fund is unfranked, it will be fully assessable without any gross-up or tax offset in the same way as an individual.

The Directors
3 September 2003

1.3 *Holding period rule*

The Australian tax law contains provisions which could apply to deny imputation benefits to a PAVERS holder in respect of franked Dividends paid thereon, unless the holder has held the PAVERS at risk for at least 90 days during a period commencing on the day after the holder acquired the PAVERS and ending on the 90th day after the day on which the PAVERS became ex dividend. In calculating this holding period, days on which the PAVERS are acquired or disposed of are disregarded.

Holders who have satisfied this rule in respect of a prior dividend received in respect of the PAVERS will not be required to satisfy it again with respect to any subsequent PAVERS Dividends. Holders who have not satisfied the holding period rule in respect of a prior Dividend received in respect of the PAVERS, will be denied imputation benefits in respect of a subsequent PAVERS Dividend unless they satisfy the holding period rule in respect of that Dividend.

Taxpayers should seek professional tax advice in respect of the operation of this rule as there are exemptions for certain non-corporate taxpayers:

- *Individual taxpayers* - In respect of individual taxpayers there is a de-minimus exemption known as the “small shareholder rule” which may be available to a holder. This exemption applies where the total tax offsets attaching to all Dividends received by the holder on any shares held during that year do not exceed \$5000.
- *Complying superannuation funds* – There is a specific exemption for most complying superannuation funds. Under this exemption these shareholders can elect to apply a formula based method which calculates a maximum ceiling amount of tax offsets available to the fund in an income year.

We note that the Treasurer announced by press release no.74 of 11 November 1999 that the government intended to review the Holding Period Rule with a view to amending the rule to reduce the “at risk” holding period requirement. However, to date no such amendments have been announced.

2. **Borrowing costs**

PAVERS Holders should be entitled to a deduction for interest paid on borrowings to the extent those borrowings are used to purchase PAVERS. In this regard, we recommend that PAVERS Holders seek advice to confirm they meet the relevant conditions to claim such a deduction under Australian tax law.

3. **Reset terms of the PAVERS**

The alteration of the terms for the PAVERS does not give rise to assessable income under Australian tax law because this process does not constitute a cancellation, redemption or termination of the PAVERS.

The Directors
3 September 2003

4. Exchange of the PAVERS

In the case of an Exchange initiated by a Holder, Brickworks may do any (or a combination) of the following, as determined by Brickworks:

- Convert the PAVERS into Ordinary Shares of Brickworks;
- Repurchase the PAVERS for an amount equal to the Issue Price; or
- Procure a Resale Agent to acquire the PAVERS for an amount equal to the Issue Price.

In the case of an Exchange initiated by Brickworks, Brickworks may do one or other of the following, as determined by Brickworks:

- Convert the PAVERS into Ordinary Shares of Brickworks;
- Repurchase the PAVERS for an amount equal to the Issue Price.

The consequences of each are set out below.

4.1 *Conversion of the PAVERS*

The consequences of Conversion would be dealt with under the capital gains regime as set out below.

PAVERS should constitute a 'convertible interest' for capital gains purposes. This is because for these purposes they would be viewed as constituting an interest that either:

- 'may' convert into Ordinary Shares of Brickworks; or
- entitles a PAVERS Holder to a right to be issued with Ordinary Shares of Brickworks.

Any gain or loss on Conversion is disregarded at that time under the capital gains regime.

Thereafter, for capital gains purposes, a PAVERS Holder is taken to have acquired the Ordinary Shares at the date of Conversion with a cost base equal to the amount paid to acquire PAVERS.

4.2 *Repurchase of the PAVERS by Brickworks*

In the case of an Exchange, Brickworks may elect to Repurchase the PAVERS by way of an off-market buyback, redemption or a return of capital (pursuant to the Corporations Act). The particular details of the Repurchase will govern the Australian tax consequences for each PAVERS Holder.

In general terms, there should be no Australian tax liability (either pursuant to the capital gains regime or general assessability provision) for the PAVERS Holders as the Repurchase price is expected to be equal to the Issue Price and will be debited to the PAVERS issued share capital account of Brickworks. To the extent an amount is paid by Brickworks in excess of the Issue Price, such an amount will constitute a dividend in the hands of each PAVERS Holder. This dividend may not be franked.

The Directors
3 September 2003

These consequences should be confirmed by each PAVERS Holder at the time, and based on the details, of any Repurchase undertaken by Brickworks.

4.3 Acquisition of the PAVERS by a Resale Agent

The Australian tax consequences for each PAVERS Holder of a disposal to a Resale Agent are the same as outlined below, under the heading "Disposal of PAVERS".

5. Disposal of PAVERS

The cost base for each PAVERS Holder of each PAVERS or the Ordinary Shares into which PAVERS convert, will be equal to the Issue Price of PAVERS and, amongst other things, any incidental costs of acquisition and non-deductible interest expenditure in acquiring the asset.

Where PAVERS Holders dispose of PAVERS, including to a Resale Agent, or Ordinary Shares issued on Conversion of PAVERS, any capital gain arising would be required to be included in the assessable income of each PAVERS Holder, while any capital loss would only be available to offset against certain capital gains.

5.1 Individuals and Trusts (other than a complying superannuation fund, see below)

Australian resident individual PAVERS Holders and trustees will be liable to tax on only half of any capital gain made on the disposal provided PAVERS or Ordinary Shares are each owned by a PAVERS Holder for at least twelve (12) months prior to disposal.

5.2 Complying superannuation funds and life insurance companies (where PAVERS constitutes a virtual PST asset)

The capital gains treatment of complying Australian resident superannuation funds or life insurance companies is, in general, the same as that set out above for Australian resident individuals and trustees, except that the "discount" is one-third rather than 50 per cent.

6. Tax File Number and Australian Business Number

A PAVERS Holder may quote its Tax File Number (TFN) or, where relevant, Australian Business Number (ABN) to Brickworks. If a TFN or ABN is not quoted, and no exemption is applicable, tax is required to be deducted by Brickworks from any Dividends at the highest marginal tax rate (currently 47%) plus Medicare Levy (currently 1.5%).

No withholding requirement applies in respect of fully franked dividends paid by Brickworks on the PAVERS or Ordinary Shares. Where the dividends are not fully franked and no TFN or ABN has been quoted, Brickworks would be required to withhold tax (at 48.5%) on that portion of the dividend which is not franked.

The Directors
3 September 2003

7. Other taxes

While the PAVERS or Ordinary Shares are listed for quotation on the Australian Stock Exchange, no stamp duty or similar taxes are payable in Australia by a PAVERS Holder in connection with the issue, purchase, Conversion, Repurchase or sale of PAVERS or Ordinary Shares.

Under current Australian law, there are no estate duties or other inheritance taxes payable in respect of the transmission of PAVERS or Ordinary Shares upon the death of a PAVERS Holder.

Under current Australian law, goods and services tax will also not be payable in respect of any issue or transfer of PAVERS or Ordinary Shares.

Yours faithfully



AE Clemens
Authorised Representative

7. ADDITIONAL INFORMATION

7.1 Terms of Issue

The rights attaching to PAVERS will be governed by:

- Brickworks' proposed Constitution to be adopted by Brickworks' Shareholders at the Extraordinary General Meeting to be held on 3 October 2003, which will deal generally with preference shares and will also set out the rights attaching to Ordinary Shares; and
- the Terms of Issue of PAVERS as set out in Appendix A.

7.2 Brickworks – a Disclosing Entity

Brickworks is a disclosing entity for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. These obligations require ASX to be continuously notified of information about specific events and matters as they arise for the purpose of ASX making the information available to the stock market conducted by ASX. In particular, Brickworks has an obligation under the ASX Listing Rules (subject to certain limited exceptions), to notify ASX immediately of any information concerning Brickworks, of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of its shares. That information is available on the public file at ASX. Brickworks is also required to prepare and lodge with ASIC both yearly and half yearly financial statements accompanied by a Directors' declaration and report and an audit or review report.

Similarly, Bristile has been a disclosing entity and Soul Pattinson is a disclosing entity and the same continuous disclosure obligations have applied to them. Accordingly, the same type of information about them is available on the public file at ASX and the same kind of financial statements have been required to be prepared and lodged by them with ASIC.

7.3 Availability of Documents Lodged with ASIC

The Corporations Act provides for reduced content requirements for an offer of quoted securities. In these circumstances, a listed disclosing entity may issue a "transaction-specific" prospectus under Section 713. The ability to issue a "transaction-specific" prospectus exists in respect of an offer of PAVERS (which are not quoted securities) by virtue of an ASIC Class Order (00/195) which provides that a Section 713 prospectus can be issued where the Ordinary Shares underlying the PAVERS are quoted securities.

PAVERS are 'convertible preference shares' for the purposes of the ASIC Class Order.

Copies of documents lodged with ASIC in relation to Brickworks, Bristile or Soul Pattinson may be obtained from, or inspected, at an office of ASIC.

7.4 Other Documents

Brickworks will provide a copy of any of the following documents free of charge to any person who requests a copy prior to the Closing Date:

- the financial statements of Brickworks for the year ended 30 June 2003 (being the most recent annual financial reports lodged with ASIC before the issue of this Prospectus);
- any other document or financial statement lodged by Brickworks with ASIC or ASX under the continuous disclosure reporting requirements in the period after the lodgement of those financial statements and before lodgement of this Prospectus with ASIC; and
- Brickworks' proposed constitution to be adopted at the Extraordinary General Meeting to be held on 3 October 2003.

7.5 Summary of Rights Attaching to Ordinary Shares

The Ordinary Shares issued on Conversion of PAVERS will rank equally with existing fully paid Ordinary Shares. The rights attaching to Ordinary Shares are:

- set out in Brickworks' constitution; and
- in certain circumstances, regulated by the Corporations Act, ASX Listing Rules and the common law.

An Extraordinary General Meeting of Shareholders has been called to be held on 3 October 2003 to adopt a new constitution. Approval of the new constitution at that meeting is one of the conditions precedent to the Offer proceeding. The proposed new constitution can be inspected at Brickworks' registered office during normal business hours.

The following is a summary of the principal rights and liabilities attaching to Ordinary Shares under the new constitution (which will be in place if the Offer proceeds)

(a) Dividends

The Directors may determine whether to pay a dividend. No dividend may be paid if there are insufficient profits out of which Brickworks is lawfully able to pay dividends. Subject to any rights or restrictions attached to a class of shares (such as PAVERS), dividends on Ordinary Shares are payable (except in limited circumstances) in proportion to the amount of capital for the time being paid up.

(b) Voting

At any general meeting of Brickworks, each member has one vote on a show of hands and one vote for each fully paid Ordinary Share held on a poll. If an Ordinary Share is jointly held by more than one person, only one holder is entitled to vote at a general meeting. If more than one joint holder is present at a general meeting, the vote of the member whose name appears first in the share register will be accepted to the exclusion of the votes of the other joint holders.

(c) Variation of rights

Unless otherwise provided by the terms of issue of shares of a certain class, the rights attached to shares of that class may be varied or cancelled with a special resolution of the members of Brickworks and either a special resolution passed at a meeting of members holding shares of that class or the written consent of members who are entitled to at least 75% of the votes that may be cast in respect of shares in that class.

(d) Transferability

Members are generally able to sell or transfer Ordinary Shares without restriction while they are quoted on ASX. However, the Directors may decline to register a transfer in limited circumstances (for example, if the register of a transfer will constitute a breach of the Corporations Act).

(e) Winding up

Subject to the rights of any other persons with priority in respect of repayment of capital upon a winding up (such as PAVERS Holders), Ordinary Shares are entitled to share in any surplus assets on a winding up in proportion to the total amount of capital paid up and to be paid up. Members may approve by special resolution the ways in which assets in kind may be distributed and how the division will be carried out between members or different classes of members.

7.6 Summary of Underwriting Agreement

Brickworks entered into an offer management agreement ("Offer Management Agreement") with the Joint Lead Managers on 3 September 2003. The main terms of the Offer Management Agreement are summarised below:

Agreement to Underwrite and Manage

Under the Offer Management Agreement the Joint Lead Managers agree severally in 50-50 proportions to underwrite the minimum issue size of 1,500,000 PAVERS (\$150 million) and to manage the issue of up to 1,650,000 PAVERS (including over-subscriptions) at the Issue Price.

Representations and Warranties

Customary and usual warranties are given by Brickworks as an issuer of shares in relation to matters such as Brickworks' compliance with all applicable laws and obligations that apply to this Prospectus, its conduct in relation to this Prospectus and the Offer and its solvency.

Fees, Expenses and Indemnities

Brickworks will pay an underwriting commission to the Joint Lead Managers (in their 50-50 proportions) of 1.65% of the Issue Price per PAVER on all of the 1,500,000 PAVERS the subject of the underwriting commitment. In addition, Brickworks will pay a management fee to the Joint Lead Managers (in their 50-50 proportions) of 1.00% of the Issue Price per PAVER on any and all over-subscriptions up to 150,000 PAVERS. Brickworks will pay any GST incurred by the Joint Lead Managers in respect of their fees. In addition, Brickworks is required to pay the costs of the Offer, including the legal, travel and accommodation costs of the Joint Lead Managers.

The Joint Lead Managers will be responsible for the payment of all sub-underwriting and other commissions and fees payable to any sub-underwriters or to any or brokers to the Offer.

Brickworks gives certain indemnities to the Joint Lead Managers and their related parties in relation to losses suffered by or claims made against the Joint Lead Managers or their related parties in connection with the Offer and the Prospectus.

Termination

Either Joint Lead Manager may at any time up to allotment of the PAVERS terminate their obligations under the Offer Management Agreement by giving notice to Brickworks if one or more of the following events occur:

- (a) a statement contained in this Prospectus is misleading or deceptive, or a matter is omitted from this Prospectus (having regard to the provisions of sections 711, 713 (as relevant under ASIC Class Order 00/195) and 716 of the Corporations Act); or
- (b) this Prospectus or any aspect of the Offer does not comply with the Corporations Act, the Listing Rules or any other applicable law or regulation; or
- (c) the due diligence report (as defined in the Offer Management Agreement) or any other information supplied by or on behalf of Brickworks to the Joint Lead Managers in relation to the Brickworks Group or the Offer is misleading or deceptive; or
- (d) any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of Brickworks and the Brickworks Group (insofar as the position in relation to an entity in the Group affects the overall position of Brickworks), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Brickworks Group from those respectively disclosed in this Prospectus or the public information (as defined in the Offer Management Agreement); or
- (e) there occurs a new circumstance that has arisen since this Prospectus was lodged with ASIC that would have been required to be included in this Prospectus if it had arisen before this Prospectus was lodged in relation to Brickworks or any entity in the Brickworks Group (except certain allotments), within the meaning of section 719 of the Corporations Act; or
- (f) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, the United States of America, the United Kingdom, Indonesia, Japan, the Peoples Republic of China, Pakistan or North Korea including the use by any state of chemical, biological or nuclear weapons, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world; or
- (g) the S&P/ASX 200 Industrial Index at the close of trading on any three consecutive Business Days after the date of the Offer Management Agreement is at a level which is 90% or less of the level as at the close of trading on the date of the Offer Management Agreement; or
- (h) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this agreement), any of which does or is likely to prohibit or regulate the Offer, capital issues or stock markets; or

- (i) a change in the chief executive officer, chief financial officer or the Board of Brickworks occurs or a Director of Brickworks is charged with an indictable offence; or
- (j) a contravention by Brickworks or any entity in the Brickworks Group of the Corporations Act, its constitution, or any of the Listing Rules; or
- (k) approval is refused or not granted, other than subject to customary conditions, to the official quotation of all of PAVERS to be issued pursuant to the Offer on ASX on or before the quotation approval date (as defined in the Offer Management Agreement), or if granted, the approval is subsequently withdrawn, qualified or withheld.
- (l) any of the following notifications are made in relation to this Prospectus or the Offer:
 - (i) ASIC issues an order under section 739 of the Corporations Act;
 - (ii) an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to this Prospectus or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 1989 (Cth) in relation to this Prospectus; or
 - (iii) any person (other than either of the Joint Lead Managers) gives a notice under section 733(3) of the Corporations Act or any person (other than either of the Joint Lead Managers) who has previously consented to the inclusion of its name in this Prospectus (or any Supplementary Prospectus) or to be named in this Prospectus withdraws that consent; or
 - (iv) any person (other than a Joint Lead Manager) gives notice under section 730 of the Corporations Act in relation to this Prospectus; or
- (m) Brickworks fails to lodge this Prospectus by 3 September 2003 or withdraws this Prospectus or the Offer; or
- (n) a default by Brickworks in the performance of any of its obligations under the Offer Management Agreement occurs; or
- (o) a warranty contained in the Offer Management Agreement on the part of Brickworks is not true or correct; or
- (p) there is:
 - (i) a suspension or material limitation in trading in securities generally on ASX, the New York Stock Exchange and/or the London Stock Exchange; or
 - (ii) a suspension or material limitation in trading in Brickworks' securities on ASX (other than a trading halt in connection with the Offer); or
 - (iii) a general moratorium on commercial banking activities in Australia, the United States or the United Kingdom is declared by the relevant authorities, or there is a material disruption in commercial banking or securities settlement or clearance services in those places; or
- (q) an impediment to the compulsory acquisition under Chapter 6A of the Corporations Act emerges in relation to Brickworks' acquisition of Bristle's shares.

The right to terminate arising out of the events described in paragraphs (c), (d), (e), (f), (h), (i), (j), (n), (o), (p) and (q) are only able to be exercised if the Joint Lead Manager seeking to terminate has reasonable and bona fide grounds to believe and does believe that the event has or is likely to have a material adverse effect on the outcome of the Offer or could give rise to a material liability of the Joint Lead Manager under any law or regulation.

If one Joint Lead Manager terminates, the remaining Joint Lead Manager may elect to take up the rights and obligations of that Joint Lead Manager under the Offer Management Agreement. If it does not do so, both Joint Lead Managers are taken to have exercised termination rights.

7.7 Residents of the United States

The Offer of PAVERS has not been and will not be registered under the United States Securities Act of 1933, as amended, (the 'Securities Act') and, therefore, subject to certain exceptions, PAVERS may not be offered, sold, renounced or delivered, directly or indirectly, within the United States. Accordingly, except as described below, the Offer is not being made in the United States or to holders of Ordinary Shares with registered addresses in the United States and neither the Prospectus nor the Application Form will be sent into the United States or to persons with registered addresses in the United States. Certain exemptions from these limitations may be available in the case of certain defined classes of sophisticated investors.

Envelopes containing Application Forms should not be postmarked or otherwise despatched from the United States and all persons subscribing for PAVERS must provide addresses within Australia for the return of holding statements for PAVERS. The Company reserves the right to treat as invalid any Application Form (i) postmarked in or which otherwise appears to have been despatched from the United States, (ii) that provides an address in the United States for delivery of holding statements for PAVERS or (iii) which, except as otherwise agreed with the Company, does not make the representation and warranty set out in the Application Form that the person acquiring the PAVERS is not in the United States and is not acting for the account or benefit of a person within the United States, unless the accepting person is so acting as an authorised employee of such other person or with investment discretion with respect to an account of such other person.

Any person who is unable to make the representation and warranty set out in the Application Form is not entitled to acquire PAVERS pursuant thereto.

Until 40 days after the commencement of the Offer, an offer, sale or transfer of PAVERS within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the Securities Act.

For the purposes of this Prospectus and the Application Form, 'United States' means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

7.8 Consents

None of the parties referred to below has authorised or caused the issue of the Prospectus or made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified below. Each of these parties, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for, any statements in or omissions from this Prospectus, other than the reference to its name and a statement or report included in this Prospectus with the consent of that party as specified below.

Clayton Utz has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

Citigroup Global Markets Australia Pty Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

JBWere Pty Ltd has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

PricewaterhouseCoopers Securities Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is so named and to the inclusion in this Prospectus of its Taxation Report to Brickworks in the form and context in which it is included (and to the references to that report in this Prospectus).

Travis & Travis has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named and to the inclusion of references in Section 4 to accounts of Brickworks audited by them, in the form and context in which they are included.

Ernst & Young given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of references in column 2 of Sections 4.1 and 4.2 of the Prospectus to the Audited Statement of Financial Performance of Bristle for the year ended 30 June 2003 and the Audited Statement of Financial Position of Bristle as at 30 June 2003 respectively, in the form and context in which they are included.

Computershare Investor Services Pty Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

Pitt Capital Partners Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

7.9 Interests of Advisers

PricewaterhouseCoopers Securities Limited has provided tax advice in relation to the Offer and has prepared the Taxation Report to Brickworks contained in Section 6. In respect of this work and accounting and tax due diligence services, Brickworks estimates that it will pay approximately \$60,000 (excluding disbursements and GST) to PricewaterhouseCoopers Securities Limited. Further amounts may be paid to PricewaterhouseCoopers Securities Limited in accordance with its normal time based charges.

Clayton Utz has acted as solicitors to Brickworks and has performed work in relation to preparing the due diligence and verification programme and performing due diligence required on legal matters. In respect of this work, Brickworks estimates that it will pay approximately \$250,000 (excluding disbursements and GST) to Clayton Utz. Further amounts may be paid to Clayton Utz in accordance with its normal time based charges.

Travis & Travis has acted as the auditors for the Company and has performed professional services to assist management in its due diligence inquiries on financial matters and preparation of the pro forma financial information. Brickworks estimates that it will pay approximately \$22,000 (excluding disbursements and GST) to Travis & Travis. Further amounts may be paid to Travis & Travis in accordance with its normal time based charges.

Citigroup Global Markets Australia Pty Limited has acted as a Joint Lead Manager and Underwriter for the Offer, in respect of which they will receive the fees outlined in Section 7.6 above.

JBWere Pty Ltd has acted as a Joint Lead Manager and Underwriter for the Offer, in respect of which they will receive the fees outlined in Section 7.6 above.

Pitt Capital Partners Limited has acted as financial advisor to Brickworks in respect of which it will receive fees of \$25,000.

Except as set out above, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- stockbroker or underwriter to this Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Brickworks;
- the Offer; or
- any property acquired or proposed to be acquired by Brickworks in connection with its formation or promotion or the Offer,

nor has anyone paid or agreed to pay or given or agreed to give any benefit to such persons in connection with the formation or promotion of Brickworks or the Offer.

7.10 Directors' Interests

Except as set out below no Director or proposed Director holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Brickworks; or
- the Offer; or
- any property acquired or proposed to be acquired by Brickworks in connection with its formation or promotion, or with the Offer.

Except as set out below, no amount (whether in cash, shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any Director or proposed Director:

- to induce a person to become, or qualify as, a Director; or
- for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or the Offer.

The table below sets out the Directors' interests in Ordinary Shares as at the date of this Prospectus.

Mr Robert D. Millner	3,119,841 Ordinary Shares
Mr Michael J. Millner	3,106,341 Ordinary Shares
Mr Lindsay Partridge	74,558 Ordinary Shares (including 18,824 purchased through Brickworks' employee share plan)
Mr Alan Bentley	12,640 Ordinary Shares
Mr Timothy V. Fairfax	20,000 Ordinary Shares
The Hon Robert Webster	4,000 Ordinary Shares
Mr David Gilham	500 Ordinary Shares

Pitt Capital Partners Limited is 50% owned by Soul Pattinson. Robert Millner (and associated entities) holds 15,807,355 shares in Soul Pattinson. Michael Millner (and associated entities) holds 15,442,335 shares in Soul Pattinson.

7.11 ASX Waivers

The ASX has granted Brickworks the following waivers:

- Listing Rule 7.1.4 has been waived so that the deemed rate of Conversion of PAVERS will be calculated using the market price of Ordinary Shares as at 26 August 2003 (when the Company announced its intention to make the Offer);
- Listing Rule 7.3.8 has been waived to allow voting by all Shareholders on the resolution to approve the issue of PAVERS under the Offer on condition that participation of any Shareholder in the total Offer is restricted to the greater of 5% of the total number of PAVERS the subject of the total Offer (including potential over-subscriptions) and the number the Shareholder would be entitled to under a pro rata issue of the total number of PAVERS the subject of the total Offer (including potential over-subscriptions);
- Listing Rule 10.11 has been waived so that Directors, certain past Directors and related parties as defined in the Corporations Act can participate in the issue of PAVERS without obtaining Shareholder approval on condition that Directors and their related parties in aggregate (excluding David Gilham and his related parties if Shareholders approve at the 3 October 2003 Extraordinary General Meeting the issue of up to 40,000 PAVERS to David Gilham and his related parties) are restricted to applying for no more than 0.2% of the total number of the PAVERS issued under the Offer and their participation will be on the same terms and conditions as other shareholders); and
- Listing Rule 7.40 has been waived with the effect that hard copies of this Prospectus may be despatched to Shareholders within 2 Business Days after the opening of the Offer, rather than the 10 Business Days prescribed in Appendix 7A to the Listing Rules. This waiver has been granted on the condition that this Prospectus is posted on the internet on the date it is lodged at ASIC.

7.12 Governing Law

This prospectus, the Offer and the contracts formed on Acceptance of Applications are governed by the law applicable in New South Wales, Australia. Each Applicant submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

7.13 Consents to Lodgement

Each Director has given, and not withdrawn, his consent to the lodgement of this Prospectus with ASIC.

APPENDIX A

TERMS OF ISSUE OF BRICKWORKS PAVERS

Defined terms used in this appendix are set out in clause 9.2. References in this appendix to clauses and paragraphs are to clauses and paragraphs of this appendix.

1 FACE VALUE AND ALLOTMENT DATE

- (a) The face value of each PAVERS will be \$100 (the "Issue Price").
- (b) The Allotment Date is expected to be on or around 17 October 2003.

2 QUOTATION

Brickworks will apply for official quotation of:

- (a) PAVERS;
- (b) all Ordinary Shares issued under clause 6.8

3 DIVIDENDS

3.1 CALCULATION OF DIVIDEND

Subject to these terms, the Holder on the relevant Record Date of each PAVERS is entitled (**Dividend Entitlement**) to receive on the relevant Dividend Payment Date a dividend (**Dividend**) in respect of each Dividend Period which is calculated in accordance with the following formula:

$$(N \times \text{Dividend Rate} \times \text{Issue Price})/365$$

where:

N is the number of days in that Dividend Period; and

Dividend Rate (expressed as a percentage) is:

- (a) for the period to (but not including) the first Reset Date, the greater of:
 - (i) 5.85% per annum; and
 - (ii) the sum of the Swap Rate on the Allotment Date and a margin of 65 basis points, expressed as a percentage per annum; and
- (b) for the period from (and including) a Reset Date until (but not including) the next Reset Date, a rate expressed as a percentage per annum specified in accordance with clause 7 (which, for the avoidance of doubt, may be a rate calculated by reference to a formula specified by Brickworks).

3.2 UNFRANKED PORTION OF DIVIDEND

If any Dividend is not franked to 100% under Part 3 - 6 of the Tax Act (or any provisions that revise or replace that Part), Brickworks may in its discretion adjust the amount of the Dividend, such adjusted amount to be calculated in accordance with the following formula (rounded to the nearest four decimal places):

$$\frac{D}{1 - [Ti \times (1 - f)]}$$

where:

D means the Dividend calculated under clause 3.1;

Ti is the Australian corporate tax rate applicable on the Dividend Payment Date to which the Dividend in question relates;

f means the franking percentage (within the meaning of Part 3 - 6 of the Tax Act or any part that replaces or revises that part) of the Dividend, expressed as a decimal to the nearest four decimal places.

3.3 PAYMENT OF DIVIDEND

The payment of a Dividend is subject to:

- (a) the Corporations Act and any other Law not prohibiting Brickworks paying the Dividend (including there being funds and profits legally available for the payment of dividends); and
- (b) the Directors, at their discretion, determining to pay a Dividend.

The Directors, at their discretion, may determine that a Shortfall Dividend (as defined in clause 4.3(a)(iv)) will be payable, subject to this clause 3.3.

3.4 DIVIDEND PAYMENT DATES

Subject to this clause 3 and clause 7.1(e), the Dividend in respect of a Dividend Period will be payable in arrears on:

- (a) 1 June 2004 and then on each following 1 December and 1 June until the PAVERS are Exchanged; and
- (b) the Exchange Date in respect of a PAVERS that is Exchanged.

3.5 NON-CUMULATIVE DIVIDENDS

The entitlement of a Holder to the payment of a Dividend in respect of a Dividend Period is non-cumulative. If, because of the provisions of clause 3.3, a Dividend is not paid in respect of a Dividend Period or the Dividend paid in respect of a Dividend Period is less than the Dividend Entitlement for that Dividend Period, the Company has no liability to pay the Dividend Entitlement, or the balance of that Dividend Entitlement for that Dividend Period and, notwithstanding the Directors' discretion to pay a Shortfall Dividend, the Holder has no claim in respect of such a non-payment.

3.6 DEDUCTIONS

Brickworks may deduct from any Dividend payable to a Holder the amount of any withholding or other tax, duty or levy required by Law to be deducted from it, and where it does so:

- (a) Brickworks must pay the amount required to be deducted to the relevant revenue or collection authority within the time allowed for such payment;
- (b) Brickworks must pay the Holder the balance of the Dividend after allowance for the payment referred to in clause (a) above; and
- (c) upon compliance by Brickworks with clauses (a) and (b) above, the Holder is taken to have been duly paid the Dividend by Brickworks.

3.7 ROUNDING

All calculations of Dividends will be rounded to the nearest four decimal places. For the purposes of calculating a Holder's aggregate Dividend Entitlement in respect of all PAVERS held by it, any fraction of a cent will be disregarded.

3.8 RECORD DATE

A Dividend is only payable to those persons registered as Holders at 7:00pm (Sydney time) on the relevant Record Date in respect of each Dividend, or in the case of a Dividend payable under clause 3.4(b) to the Holders whose PAVERS have been Exchanged, that Exchange Date.

A Shortfall Dividend is only payable to those persons registered as Holders on the Record Date in respect of that Shortfall Dividend.

4 RANKING AND PARTICIPATION

4.1 RANKING

PAVERS rank equally among themselves in all respects and are subordinated to all creditors of Brickworks in respect of:

- (a) return of capital (subject to these Terms, not exceeding the Issue Price for each PAVERS); and
- (b) payment of any Dividends determined or resolved to be paid but unpaid.

4.2 PRIORITY OF DIVIDENDS

- (a) If:
- (i) a Dividend Entitlement; or
 - (ii) a dividend entitlement on any other shares in Brickworks which rank equally with PAVERS as to dividends,
- has not been, or is not able to be, paid in full, any Dividends and any dividends payable on those other shares must be paid pro rata.
- (b) Until Exchange, the PAVERS rank in priority to Ordinary Shares for the payment of dividends.

4.3 UNPAID DIVIDENDS

- (a) If Brickworks does not fully discharge a Dividend Entitlement by payment within 30 Business Days after a Dividend Payment Date, Brickworks may not thereafter:
- (i) pay any dividends, or make any distribution on any Ordinary Shares or any other share capital over which PAVERS rank in priority for participation in profits; or
 - (ii) redeem, reduce, cancel, buy-back or acquire for any consideration any Ordinary Shares or any other capital over which PAVERS rank in priority for participation in respect of payment of dividend or return of capital.
- unless and until:
- (iii) Brickworks has obtained the approval of a Special Resolution; or
 - (iv) Brickworks has paid a shortfall dividend (Shortfall Dividend) pursuant to clause 4.3(b) equal to the difference between the aggregate Dividends declared in respect of the two half-yearly Dividend Periods which immediately precede the Dividend Period in which the date of such a Shortfall Dividend payment falls (or equivalent Dividends if the frequency of the payment is other than semi-annual) and the aggregate Dividend Entitlement in respect of the said two half yearly Dividend Periods; or
 - (v) Brickworks has paid in full the total Dividend Entitlements for 2 consecutive Dividend Periods; or
 - (vi) the date which is 12 months after the first such date on which there are no longer any PAVERS on issue has occurred.
- (b) Without derogating from clauses 3.3 and 3.5, the Directors may, in their absolute discretion, resolve that Brickworks pay a Shortfall Dividend from time to time.

4.4 RETURN OF CAPITAL ON A WINDING UP

Until Exchange, if there is a return of capital on a winding-up of Brickworks, Holders will be entitled to receive out of the assets of Brickworks available for distribution to holders of shares, in respect of each PAVERS held, a cash payment equal to the sum of:

- (a) the amount of any Dividend Entitlement calculated on a daily basis (assuming a 365 day year) throughout the period from and including the immediately preceding Dividend Payment Date to the date of commencement of the winding-up; and
- (b) the Issue Price,

before any return of capital is made to holders of Ordinary Shares or any other class of shares ranking behind PAVERS.

4.5 SHORTFALL ON WINDING UP

If, upon a return of capital on a winding up, there are insufficient funds to pay in full the amounts referred to in clause 4.4 and the amounts payable in respect of any other shares in Brickworks ranking as to such distribution equally with the PAVERS on a winding-up, the Holders of the PAVERS and the holders of any such other shares will share in any distribution of assets of Brickworks in proportion to the amounts to which they are entitled respectively.

4.6 PARTICIPATION IN SURPLUS ASSETS AND PROFITS

The PAVERS do not confer on their Holders any further right to participate in the surplus assets of Brickworks on a winding-up, or in the property or profits of Brickworks beyond the rights set out in these Terms.

4.7 FURTHER SHARE OR EQUITY SECURITY ISSUES

- (a) Until all the PAVERS have been Exchanged, Brickworks must not, without the approval of a Special Resolution, issue, or permit the conversion of any existing shares into, shares ranking in priority to PAVERS as to dividends or return of capital on winding up.
- (b) Brickworks may issue further PAVERS or other equity securities (as defined in the Listing Rules) ranking equally or behind PAVERS as to dividend or return of capital on winding up or otherwise without the approval of a Special Resolution or any other Holder approval. Such an issue does not constitute a variation or cancellation of the rights attached to the then existing PAVERS.

4.8 PARTICIPATION IN NEW ISSUES

Until the PAVERS are Converted, they confer no rights to subscribe for new securities in Brickworks or to participate in any bonus issues.

5 VOTING RIGHTS

5.1 NOTICE AND ATTENDANCE

Holders have the same rights as Ordinary Shareholders to receive accounts, reports and notices of general meetings of Brickworks and to attend those meetings.

5.2 SPEAKING AND VOTING

Holders may not speak or vote at general meetings of Brickworks except in the following circumstances:

- (a) if at the time of the meeting, a Dividend has been determined by Directors to be paid and the relevant Dividend Payment Date has passed but the Dividend has not been paid in full;
- (b) on a proposal:
 - (i) to reduce the share capital of Brickworks;
 - (ii) that affects the rights attaching to the PAVERS;
 - (iii) to wind up Brickworks; or
 - (iv) for the disposal of the whole of the property, business and undertaking of Brickworks;
- (c) on a resolution to approve the terms of a buy back agreement; or
- (d) during the winding up of Brickworks,

in which case a Holder has the same rights of attendance, to speak and as to voting for each PAVERS as are conferred on the holder of an Ordinary Share.

5.3 VOTES

At a general meeting of Brickworks where clause 5.2 entitles Holders to vote, each Holder is entitled:

- (a) on a show of hands, to one vote; and
- (b) on a poll, to one vote for each PAVERS held by that Holder.

6 EXCHANGE

6.1 EXCHANGE

- (a) PAVERS can only be Exchanged in the circumstances set out in, and in accordance with, this clause 6.

6.2 EXCHANGE DATE

The Exchange Date in respect of a PAVERS is, if:

- (a) clause 6.3(a)(i) or 6.6(a)(i) (Holder Exchange Notice or Company Exchange Notice prior to Reset Date) applies, the Reset Date immediately following the giving of the relevant notice;
- (b) clause 6.3(a)(ii) (Holder Exchange Notice following a Trigger Event) applies:
 - (i) if the relevant Trigger Event is one specified in clauses 6.4(a)(i) or 6.4(a)(ii), the next Dividend Payment Date; and
 - (ii) otherwise, 50 Business Days after the Trigger Event Notice is given;

- (c) clause 6.6(a) (except clause 6.6(a)(i)) applies (a non-Reset Date Company Exchange Notice), 21 Business Days after the Company Exchange Notice is given.
- (d) Clause 6.6(b) applies (a Remainder Exchange Notice), 21 Business Days after the Remainder Exchange Notice is given.

6.3 HOLDER EXCHANGE

- (a) Subject to this clause 6, a Holder may request for Brickworks to Exchange :
 - (i) All or some of their PAVERS by giving notice in writing to Brickworks at least 35 Business Days (but no more than 3 months) before a Reset Date; or
 - (ii) All (but not some) of their PAVERS by giving notice in writing to Brickworks within 20 Business Days after the publication of a Trigger Event Notice under clause 6.4(b).
- (b) Subject to this clause 6, to be valid, a Holder Exchange Notice must:
 - (i) indicate under which of clause 6.3(a)(i) or 6.3(a)(ii) the Holder is giving notice;
 - (ii) In the case of Exchange under clause 6.3(a)(i), apply to a minimum of the lesser of:
 - (A) 20 PAVERS; and
 - (B) the number of PAVERS registered in the name of the Holder who gives the Holder Exchange Notice; and
 - (iii) comply with clause 6.11(b).

In addition the relevant PAVERS must become reserved in a Subposition established under the CHES Rules for the purpose, or if that is not available, or be entered in the Issuer Sponsored Sub-register of Brickworks, or become so entered, in accordance with clause 6.11(j).

6.4 HOLDER TRIGGER EVENT

- (a) **Trigger Event** means the occurrence of any of the following:
 - (i) a Dividend Entitlement is not fully discharged by payment by the Business Day which is 30 Business Days after the relevant Dividend Payment Date;
 - (ii) a Dividend, at the time it is paid, is not franked to 100% and the Dividend is not increased in accordance with clause 3.2 by the Business Day which is 30 Business Days after the relevant Dividend Payment Date;
 - (iii) Brickworks resolves in general meeting to be wound up;
 - (iv) a provisional liquidator is appointed to Brickworks;
 - (v) a court makes an order to wind-up Brickworks (other than to effect a solvent reconstruction);
 - (vi) an administrator of Brickworks is appointed under the Corporations Act;
 - (vii) Brickworks executes a deed of company arrangement;
 - (viii) a takeover bid (as defined in the Corporations Act), or any type of equivalent offer made under any successor sections of the Corporations Act relating to takeovers, is made to acquire all or some of the Ordinary Shares and the bid is, or becomes, unconditional and:
 - (A) the bidder has at any time during the offer period, a relevant interest (as defined in the Corporations Act) in more than 50% of the Ordinary Shares on issue; or
 - (B) the Directors recommend that shareholders accept the bid;
 - (ix) a court makes an order to approve a scheme of arrangement under Part 5.1 of the Corporations Act or any successor sections of the Corporations Act relating to schemes of arrangement, which, when implemented, will result in a person having a relevant interest (as defined in the Corporations Act) in more than 50% of the Ordinary Shares on issue;
 - (x) the Ordinary Shares or the PAVERS are suspended from trading on ASX for more than 20 consecutive Business Days; or
 - (xi) Brickworks enters into an agreement to sell all or substantially all of its business undertaking or assets (other than to effect a solvent re-construction or where, after the sale, Brickworks will retain a beneficial or economic interest in at least 50% of the business undertaking or assets sold).

- (b) Brickworks must give notice to Holders of the occurrence of a Trigger Event by publishing a Trigger Event Notice as soon as practicable after becoming aware of that occurrence.

6.5 EXCHANGE MECHANISM FOR HOLDER EXCHANGE

- (a) On receipt of a valid Holder Exchange Notice under clause 6.3(a), Brickworks must, do one (or a combination) of the following as determined by the Directors in their discretion in relation to PAVERS which are the subject of the notice:
- (i) Convert the PAVERS into Ordinary Shares in accordance with clause 6.8;
 - (ii) Repurchase each PAVERS for the Issue Price; or
 - (iii) Procure the acquisition of the PAVERS by the Resale Agent and cause to be paid to the Holder the Issue Price.

In the event that the Directors determine in their discretion that a combination of these items in paragraphs (i), (ii) and/or (iii) above shall occur, the Directors shall also determine in their discretion the allocation of the number of PAVERS the subject of the notice between the items in paragraphs (i), (ii) and (iii) above.

- (b) No later than 21 Business Days prior to the relevant Exchange Date, Brickworks must notify Holders of PAVERS who have submitted a Holder Exchange Notice of the Exchange mechanism (or combination of mechanisms referred to in clause 6.5(a) it has chosen (**Determination Notice**). If Brickworks does not notify the Holders in accordance with this clause, then clause 6.5(a)(i) will apply.
- (c) Where an Exchange occurs under clause 6.5(a)(ii), each Holder is taken to irrevocably offer to sell to Brickworks any or all of the PAVERS which are subject of the Holder Exchange Notice, which Brickworks may accept, if permitted by Law, by giving a Determination Notice which specifies that some or all of the PAVERS concerned will be Repurchased, provided that Brickworks may only accept the offer if:
- (i) the Repurchase is structured so that the Holder will receive the Dividend to which it would be entitled under clause 3.4(b); and
 - (ii) Brickworks is otherwise entitled to give a Determination Notice under these Terms.
- (d) Where an Exchange occurs in accordance with clause 6.5(a)(iii)
- (i) Brickworks will, as agent for the Holder, communicate an irrevocable offer in writing (**Resale Offer**) to the Resale Agent as soon as practicable and no later than 22 Business Days before the Exchange Date, for sale of the PAVERS the subject of the Holder Exchange Notice at the price per PAVERS equal to the Issue Price.
 - (ii) The Resale Agent may, but is not bound to, accept the offer (either as principal or agent) in respect of some or all of the PAVERS concerned by giving written notice of acceptance to Brickworks, which must include the number of PAVERS in respect of which the offer is being accepted, not later than a date for acceptance specified in the Resale Offer which must be no later than 4.00pm on the Business Day 21 Business Days before the Exchange Date.
 - (iii) If the Resale Agent purchases or arranges the purchase of any PAVERS which are the subject of a Holder Exchange Notice:
 - (A) the Resale Agent must pay the price (being equal to the Issue Price) to Brickworks on bare trust for the relevant Holder no later than 5:00pm on the Business Day before the Exchange Date;
 - (B) Brickworks must cause to be paid to the Holder the price (being equal to the Issue Price) at the same time as Brickworks pays the Holder the Dividend payable under clause 3.4(b); and
 - (C) Brickworks must cause the register of Holders to be altered to reflect that the purchaser is with effect from the Exchange Date the new Holder of the PAVERS concerned.
 - (iv) If the Resale Agent accepts the offer in respect of only some of the PAVERS which are offered to it, and the PAVERS the subject of the offer are owned by more than one Holder, the offer will be taken to be accepted in respect of each Holder's PAVERS pro rata to their respective holdings which are the subject of the offer.

- (v) If the Resale Agent accepts the offer in respect of only some of the PAVERS which are offered to it, and Brickworks is unable to procure the acquisition by other Resale Agents of the remaining PAVERS subject to a Holder Exchange Notice, Brickworks must, at its option, notify Holders that it elects either clause 6.5(a)(i) or 6.5(a)(ii) with respect to such remaining PAVERS. If 21 days before the Exchange Date no such election has been by Brickworks, then clause 6.5(a)(i) will apply with respect to such remaining PAVERS.

6.6 COMPANY EXCHANGE

- (a) Brickworks may in its discretion Exchange all or some of the PAVERS of a Holder by giving the Holder notice (**Company Exchange Notice**):
 - (i) at least 21 Business Days (but no more than 6 months) before a Reset Date;
 - (ii) if the Directors resolve on reasonable grounds (having obtained an opinion from reputable legal counsel or tax adviser) that a change in any taxation Law, interpretation or ruling issued by any relevant governmental body has occurred (or is announced) and that change may have a material adverse effect on the ability of Brickworks to attach franking credits under the Franking Provisions to Dividends or may materially increase the payments, costs and expenses (including additional Dividend payments) incurred by Brickworks in relation to the PAVERS;
 - (iii) if the Directors resolve on reasonable grounds (having received an opinion from reputable legal counsel or accounting adviser) that the Exchange would prevent or remedy an event of default or other contravention under a material financing arrangement affecting Brickworks;
 - (iv) not later than 20 Business Days after Brickworks lodges with ASIC a draft explanatory statement for a scheme of arrangement that Brickworks proposes to enter into under Part 5.1 of the Corporations Act or any successor sections of the Corporations Act relating to schemes of arrangement, or announces any other form of proposed capital reconstruction, which if approved and implemented will result in a person having a relevant interest (as defined in the Corporations Act) in more than 50% of Ordinary Shares on issue; or
 - (v) not later than 20 Business Days after Brickworks has published a notice under clause 6.4(b) in relation to a takeover or scheme or arrangement described in clause 6.4(a)(viii) or 6.4(a)(ix).
- (b) Brickworks may Exchange all (but not some) of the PAVERS on issue by giving Holders a Company Exchange Notice (**Remainder Exchange Notice**) not more than 30 Business Days after:
 - (i) a Reset Date, if the aggregate Issue Price of the PAVERS which remain on issue at the Reset Date; or
 - (ii) the expiry of the period of 30 Business Days after publication of a Trigger Event Notice, if the aggregate Issue Price of the PAVERS which would remain on issue if all the PAVERS in respect of which valid Holder Exchange Notices have been received by Brickworks at the time the Company Exchange Notice is issued were Exchanged,

is less than \$25 million.

6.7 EXCHANGE MECHANISM FOR COMPANY EXCHANGE

Where Brickworks has given a Company Exchange Notice, subject to all necessary approvals being obtained, Brickworks must do one of the following, as determined by the Directors in their discretion, in relation to the PAVERS which are the subject of the notice:

- (i) Convert the PAVERS into Ordinary Shares in accordance with clause 6.8; or
- (ii) Repurchase each PAVERS for the Issue Price.

Brickworks must specify in the Company Exchange Notice which of the above options it has elected to Exchange PAVERS. Where an Exchange occurs under clause 6.7(ii), the Holder is taken to irrevocably offer to sell to Brickworks any or all of the PAVERS which are the subject of the Company Exchange Notice.

6.8 CONVERSION

- (a) Each PAVERS confers all of the rights attaching to one fully paid Ordinary Share but these rights do not take effect until they are Converted into Ordinary Shares under clause 6.5(a)(i) or 6.7(i). Until such time, PAVERS have the rights set out in these Terms. When a PAVERS is Converted:
 - (i) all other rights or restrictions conferred on that PAVERS under these Terms will no longer have effect (except for rights relating to a Dividend which is due but has not been paid on or before the Exchange Date which will subsist); and

- (ii) that PAVERS will rank equally with all other fully paid Ordinary Shares then on issue and Brickworks will issue a statement that the holder of those shares holds a share so ranking.
- (b) Conversion does not constitute cancellation, redemption or termination of a PAVERS or an issue, allotment or creation of a new share (other than the additional Ordinary Shares allotted under clause 6.8(d)).
- (c) If a PAVERS is Exchanged and the PAVERS is not Repurchased or resold under clause 6.5(a)(ii), 6.5(a)(iii) or 6.7(ii), that PAVERS will Convert into one Ordinary Share on the relevant Exchange Date.
- (d) Upon the taking effect of the rights of a PAVERS under clause 6.8(a), each PAVERS will entitle the Holder to be allotted an additional number of Ordinary Shares equal to one less than the Conversion Ratio, where, the Conversion Ratio is an amount calculated in accordance with the formula outlined below (**Conversion Ratio**):

$$\text{Conversion Ratio} = \text{Issue Price} / \{\text{VWAP} \times (1 - \text{CD})\}$$

where

CD means until and including the first Reset Date, a conversion discount of 2.5% (expressed as a decimal fraction to the nearest 4 decimal places, i.e. 0.0250) and thereafter from each Reset Date until and including the next Reset Date, the rate (so expressed) specified in accordance with clause 7.1(c) (Conversion Discount); and

VWAP means the VWAP on the Exchange Date .

provided that the Conversion Ratio may never be less than the Conversion Minimum Number

In the event that the Conversion Ratio is or includes a fraction of a whole number it shall be rounded down to the nearest whole number.

6.9 ADJUSTMENTS FOR CAPITAL RECONSTRUCTION

If at any time the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities, PAVERS must, in accordance with the Listing Rules (as they apply to Brickworks), be reconstructed, consolidated, divided or reclassified by the Directors on the same basis and the Issue Price (for the purpose of calculating the Dividends on PAVERS) and the Conversion Ratio shall be adjusted by the Directors as appropriate.

6.10 DISCRETION IN ADJUSTMENT OF CONVERSION MECHANISM

Where:

- (a) the number of additional Ordinary Shares to be issued to the Holder on Conversion of the PAVERS or under clause 6.8, is not, in the reasonable opinion of the Directors, appropriate in any particular circumstances (including for the reason that more than one adjustment provision applies to a particular occurrence); or
- (b) any other event (including a demerger as defined in the Demerger Provisions) occurs in relation to Brickworks that may have a diluting or concentrative effect on the value of the Ordinary Shares or otherwise affect the value of the PAVERS,

and the Directors determine that any such occurrence would, in the reasonable opinion of the Directors, affect the relative values of the PAVERS and the Ordinary Shares, the Directors may:

- (i) make any alterations to the Issue Price, the Conversion Ratio or Conversion Discount that the Directors reasonably consider appropriate or necessary to maintain that relativity; or
- (ii) extend an entitlement to the Holders to participate in such distribution based upon the number of Ordinary Shares to which those Holders would have been entitled if their PAVERS had been Converted on a date nominated by the Directors and adapting the formula in clause 6.8 as the Directors reasonably consider appropriate to maintain the relativity.

6.11 NOTICES

- (a) Holder Exchange Notices, Determination Notices and Company Exchange Notices once given are irrevocable.
- (b) A Holder Exchange Notice must be accompanied by evidence of title reasonably acceptable to Brickworks for the PAVERS being Exchanged and is not taken to be a valid notice unless and until such evidence is received by Brickworks.
- (c) A form of Holder Exchange Notice which may be used by Holders must be made available by Brickworks upon request.

- (d) Where Brickworks has received a valid Holder Exchange Notice in respect of all or some of a Holder's PAVERS, any Company Exchange Notice issued subsequently by Brickworks does not apply to that number of the Holder's PAVERS which were the subject of the Holder Exchange Notice.
- (e) Where Brickworks has issued a valid Company Exchange Notice to a Holder in respect of all or some of that Holder's PAVERS, any Holder Exchange Notice given by that Holder which is received subsequently by Brickworks is not valid to the extent that it relates to that number of PAVERS which were the subject of the Company Exchange Notice.
- (f) Where, as a result of clause 6.11(d) or 6.11(e) a notice relates to some only of a Holder's PAVERS, the Directors may apply the adjustments (if any) that the Directors reasonably consider necessary to reflect the fact that the relevant notice will apply to a lesser holding of PAVERS.
- (g) Where a notice is received by Brickworks from a Holder on the same day that Brickworks issues a notice to the Holder, Brickworks is taken to have given notice first.
- (h) A notice is taken to be given or issued by Brickworks for the purposes of these Terms when it is mailed in a prepaid envelope to an address, or sent to a fax number or electronic address, if permitted by Brickworks' Constitution, irrespective of when it is actually received by the Holder. This clause 6.11(h) does not limit the means by which Brickworks may give notices to the Holder.
- (i) A Holder Exchange Notice is taken to be received by Brickworks if it is received at Brickworks' nominated share registry.
- (j) Where a Holder gives a Holder Exchange Notice:
 - (i) the Holder may not transfer, dispose of, encumber or otherwise deal with the PAVERS the subject of that Holder Exchange Notice; and
 - (ii) either:
 - (A) those PAVERS must be reserved in a Subposition established under the CHES Rules for the purpose (and the Holder authorises Brickworks to take all actions that Brickworks thinks appropriate on the Holder's behalf to cause the PAVERS to be so reserved); or
 - (B) if those PAVERS are not entered in Brickworks' Issuer Sponsored Sub-Register the Holder authorises Brickworks to take all actions that Brickworks thinks appropriate on the Holder's behalf to cause the PAVERS to be so entered.

7 RESET OF TERMS

7.1 RESETTING OF TERMS

If any PAVERS would be on issue on a relevant Reset Date, Brickworks may at least 50 Business Days before that Reset Date give notice to the Holders of:

- (a) the next Reset Date after the relevant Reset Date (**Next Reset Date**);
- (b) the Dividend Rate applying to those PAVERS from the relevant Reset Date until and including the Next Reset Date (**Reset Period**);
- (c) the Conversion Discount applying during the Reset Period;
- (d) the Conversion Minimum Number applying during the Reset Period; and
- (e) the timing of Dividend payments during the Reset Period.

If such notice is given the terms referred to in paragraphs (a) through (e) inclusive, above shall apply from the date after the relevant Reset Date.

7.2 DEEMED RESET

If Brickworks does not give notice to the Holders of the matters set out in clause 7.1, Brickworks will be deemed to have given a notice under clause 7.1 specifying:

- (i) the Next Reset Date to be the fifth anniversary of the relevant Reset Date;
- (ii) the Dividend Rate to be the sum of the Swap Rate on the relevant Reset Date and a margin of 65 basis points, expressed as a percentage per annum; and
- (iii) the Conversion Discount, Conversion Minimum Number and timing of Dividend payments to apply in the Reset Period to be the same as those applying immediately before the relevant Reset Date.

7.3 HOLDER ACCEPTANCE OF RESET

A Holder who does not give a Holder Exchange Notice to Brickworks by the time specified in clause 6.3(a)(i) in relation to the relevant Reset Date is conclusively treated as having agreed to the terms specified in a notice under clause 7.1 applying to its PAVERS as from the relevant Reset Date.

8 GENERAL

8.1 AMENDMENTS TO TERMS

Subject to complying with all applicable Laws, Brickworks may without the authority, assent, or approval of Holders amend or add to these Terms if such amendment or addition is, in the opinion of Brickworks:

- (a) of a formal, minor or technical nature;
- (b) made to correct a manifest error; or
- (c) not likely (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously with that modification) to be materially prejudicial to the interests of the Holders.

9 DEFINITIONS AND INTERPRETATION

9.1 INTERPRETATION

- (a) Unless the context otherwise requires, if there is any inconsistency between the provisions of these Terms and the Constitution, then, to the maximum extent permitted by Law, the provisions of these Terms will prevail.
- (b) If a calculation is required under these Terms, unless the contrary intention is expressed, the calculation will be performed to the nearest four decimal places.
- (c) Where, under these Terms, the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the following Business Day.
- (d) Definitions and interpretation provisions in the Constitution will also apply to these Terms except where a term in these terms is defined in clause 9.2.
- (e) A reference to a statute or other law includes consolidations, amendments, re-enactments or replacements of any of them. Provisions of these Terms which refer to or rely for their operation on legislation that has been introduced into Parliament as at the date of the prospectus containing this appendix but not then enacted, only have effect on the enactment of that legislation.
- (f) Unless otherwise specified, the Directors may exercise all powers of Brickworks under these Terms as are not, by the Corporations Act or by the Constitution, required to be exercised by the Company in general meeting.
- (g) A reference to a clause is to a clause of these Terms.
- (h) All references to "\$" or dollars are to Australian dollars.

9.2 DEFINITIONS

In these Terms:

Additional Ordinary Shares means Ordinary Shares issued under clause 6.8(d);

Allotment Date means the date that the PAVERS are allotted to PAVERS Applicants, (the contemplated date of which is set out in clause 1(b));

ASX means Australian Stock Exchange Limited (ABN 98 008 624 691);

Brickworks means Brickworks Limited (ABN 17 000 028 526);

- Business Day** has the meaning given to it in the Listing Rules;
- Business Rules** means the Business Rules of ASX from time to time;
- CHES Rules** means the Business Rules of ASX Settlement and Transfer Corporation Pty Limited as a CS Facility (as that term is defined in the Corporations Act);
- Company Exchange Notice** means a notice given under clause 6.6 requiring Exchange of a specified number or proportion of PAVERS and includes a Remainder Exchange Notice;
- Constitution** means the constitution of Brickworks;
- Conversion** means the taking effect of the rights of a PAVERS under clause 6.8(a) and the allotment of additional Ordinary Shares (if any) under clause 6.8(d). Conversion does not include cancellation, redemption or termination of a PAVERS or an issue, allotment or creation of a new share (other than the additional Ordinary Shares (if any) allotted under clause 6.8(d));
- Conversion Discount** has the meaning given to it in clause 6.8(d);
- Conversion Minimum Number** means 1 Ordinary Share or as it may be varied under clause 7;
- Conversion Ratio** has the meaning given in clause 6.8;
- Convert** has the meaning given to it as Conversion;
- Corporations Act** means the *Corporations Act 2001 (Cth)*;
- Demerger Provisions** means, subject to clause 9.1(e), the provisions of Division 125 of the Tax Act;
- Determination Notice** has the meaning given to it in clause 6.5;
- Directors** means the directors of Brickworks from time to time;
- Dividend** means a dividend in respect of a PAVERS;
- Dividend Entitlement** has the meaning given to it in clause 3.1;
- Dividend Payment Date** means each date on which a Dividend is payable in accordance with clauses 3.1 and 3.4 including as varied under clause 7, (but if that day is not a Business Day, the next following Business Day) whether or not a Dividend is paid on that date;
- Dividend Period** means, in respect of a PAVERS:
- (a) the period from (and including) the date of allotment of the PAVERS until (but not including) the first Dividend Payment Date;
 - (b) thereafter the period from (and including) each Dividend Payment Date until but not including the first to occur of:
 - (i) the next Dividend Payment Date; or
 - (ii) the Exchange Date of that PAVERS;
- Dividend Rate** has the meaning given to it in clause 3.1;
- Exchange** means:
- (a) in the case of the Holder issuing a Holder Exchange Notice, the Conversion of the PAVERS concerned into Ordinary Shares, the acquisition of the PAVERS concerned by a third party for their Issue Price or the Repurchase of the PAVERS concerned for their Issue Price, as determined by the Company, and as effected, in accordance with clause 6.5;
 - (b) in the case of Brickworks issuing a Company Exchange Notice to the Holder, Conversion of the PAVERS concerned into Ordinary Shares or the Repurchase of the PAVERS concerned for the Issue Price, as determined by the Company, and as effected, in accordance with clause 6.7;
- Exchange Date** has the meaning given to it in clause 6.2;
- Issue Price** has the meaning given to it in clause 1(a);
- Franking Provisions** means the provisions of Part 3-6 of the Tax Act (or any provisions that revise or replace that Part);
- Holder** means a holder of PAVERS;

Holder Exchange Notice means a notice given by a Holder to Brickworks under clause 6.3(a) requesting Exchange of a specified number of PAVERS and complying with clause 6.11;

Law means any applicable legal requirement, whether at common law (including at equity) or under any statute, regulation, proclamation, ordinance or by-law from time to time;

Listing Rules means the Listing Rules of ASX from time to time with any modification or waivers granted to Brickworks by ASX;

Next Reset Date has the meaning given to it in clause 7.1;

Ordinary Share means an ordinary share in the capital of Brickworks;

PAVERS means a non-redeemable reset preference share in Brickworks called a Preferred Adjustable Variable Exchangeable Resettable Share;

Record Date means, in relation to payment of;

(a) a Dividend, the date which is 11 Business Days before the Dividend Payment Date for that Dividend; or

(b) a Shortfall Dividend, the date prior to its payment that is determined by the Company

or such other date as required by ASX;

Remainder Exchange Notice has the meaning given to it in clause 6.6(b);

Repurchase means the buy-back, cancellation upon return of capital or redemption or other cancellation, by and as determined in its discretion by, Brickworks of the PAVERS concerned;

Resale Agent means an investment bank or licensed dealer nominated by Brickworks;

Resale Offer has the meaning given to it in clause 6.5(d)(i);

Reset Date means 1 December 2008 and thereafter the date specified by Brickworks under clause 7.1 of these Terms (or deemed to have been specified under clause 7.2 of these Terms);

Shareholder means a holder of Ordinary Shares;

Shortfall Dividend has the meaning given to it in clause 4.3(a)(iv);

Special Resolution means a resolution passed at a meeting of Holders by at least 75% of the votes cast by Holders present in person or by proxy and entitled to vote on the resolution;

Swap Rate means, the rate expressed as a percentage per annum calculated as the mid-point of the quoted average swap reference rates at 10.00am (Sydney time) for 5 year securities on the Australian swap reference rates page SWAPREF of the Australian Financial Markets Association or AFMA service (or any page which replaces that page) on the relevant date;

Tax Act means the *Income Tax Assessment Act 1936 (Cth)* and the *Income Tax Assessment Act 1997 (Cth)* (as applicable) and any other Australian Act setting the rate of income tax payable and any regulation promulgated thereunder;

Terms means these terms and conditions of issue of the PAVERS, contained in Appendix A of this prospectus;

Trigger Event has the meaning given to it in clause 6.4(a);

Trigger Event Notice means a notice in a nationally circulating newspaper in Australia which specifies the particular Trigger Event;

VWAP means the average of the daily volume weighted average sale price of Ordinary Shares sold on ASX during:

(a) in the case of VWAP on the Exchange Date, the 20 Business Days preceding (and excluding) the Exchange Date;

(b) in any other case, the period specified in these Terms,

excluding any transaction defined in ASX Business Rules as "special", crossings prior to the commencement of normal trading, crossings during the after hours adjust phase and any overseas trades or exchange traded option exercises, and subject to the following adjustments:

(c) if Brickworks received a Holder Exchange Notice following a suspension of trading of the Ordinary Shares, the VWAP will instead be calculated during the 20 Business Days preceding the day when the Ordinary Shares were suspended;

- (d) subject to clause (c), if the Ordinary Shares were suspended during any part of the 20 Business Day period over which VWAP is calculated, any day on which the Ordinary Shares were suspended (for all or part of that day) will be excluded in counting the 20 preceding Business Days;
- (e) in the case where Ordinary Shares are not trading on ASX over the 20 Business Day period over which the VWAP is calculated (for whatever reason, including, but not limited to suspension from trading) the relevant VWAP will be deemed to be the VWAP calculated over the 20 Business Days immediately preceding the date on which the Ordinary Shares last traded on ASX (subject to any adjustments required pursuant to clauses (f) and (g) or this definition), unless, having considered the matter, the Directors reasonably consider that the value is inappropriate in the circumstances in which case the VWAP will be deemed to have a value determined by the Directors to be appropriate. In making each such determination the Directors are to have regard to the purpose of VWAP in the relevant provision in these Terms;
- (f) where, on some or all of the Business Days in the relevant period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement which is not extended to the Holder, and the PAVERS will Exchange into Ordinary Shares after the date those Ordinary Shares no longer carry that entitlement (Ex Date), then the VWAP on the Business Days on which those shares have been quoted cum dividend or cum entitlement shall be reduced by an amount (Cum Value) equal to:
 - (i) in case of a dividend or other distribution, the amount of that dividend or distribution including, if the dividend is franked, the amount that would be included in the assessable income of a recipient of the dividend or distribution who is a natural person under the Tax Act;
 - (ii) in the case of an entitlement which is traded on ASX on any of those Business Days, the volume weighted average price of all such entitlements sold on ASX during the relevant period on the Business Days on which those entitlements were traded; or
 - (iii) in the case of an entitlement not traded on ASX during the relevant period, the value of the entitlement as reasonably determined by the Directors; and
- (g) where, on some or all of the Business Days in the relevant period, Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement, and the PAVERS will Convert into Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement shall be increased by the cum value.

Appendix B - Glossary

The following is a glossary of the terms used in the Prospectus apart from those defined in the Terms of Issue.

Acceptance	acceptance by Brickworks of an offer contained in an Application Form
Application	a valid application made on the conditions set out in the Prospectus by using an Application Form to apply for a specified number of PAVERS
Application Form	each form attached to or accompanying the Prospectus, or obtained from Brickworks or from an electronic copy of the Prospectus on Brickworks' website, upon which an offer to subscribe for PAVERS must be made
Application Monies	the monies payable on Application, being the product of multiplying the number of PAVERS applied for by the amount of \$100
ASIC	Australian Securities & Investments Commission
Austral or Austral Bricks	The Austral Brick Co Pty Limited (ABN 52 000 005 550)
BGC	BGC (Australia) Pty Ltd (ABN 62 005 736 005)
Board	the Board of Directors of Brickworks from time to time
Brickworks or the Company	Brickworks Limited (ABN 17 000 028 526)
Brickworks Group	Brickworks and all its subsidiaries
Brickworks Shareholder, Shareholder, or Ordinary Shareholder	holder of Ordinary Shares
Bristile	Bristile Limited (ABN 19 056 541 096)
CHES	Clearing House Electronic Subregister System
Citigroup	Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832)
Closing Date	the last day on which Application Forms will be accepted
EBIT	earnings before interest and tax
EBITDA	earnings before interest, tax, depreciation and amortisation
Eligible Shareholder	a Brickworks Shareholder with a registered address in Australia as at 7:00pm Sydney time on 28 August 2003
Employee Share Plan Members	Employees who are members of either the Brickworks Limited Deferred Employee Share Plan or the Brickworks Limited Exempt Employee Share Plan
Eureka Tiles	a division of The Austral Tile Company Pty Limited, a subsidiary of Brickworks
Extraordinary General Meeting	an extraordinary general meeting of Brickworks Shareholders to be held on 3 October 2003
Issue Date	the date on which PAVERS are issued to successful applicants
JBWere	JBWere Pty Ltd (ABN 21 006 797 897)
Joint Lead Managers	Citigroup and JBWere
Offer	the invitation made pursuant to the Prospectus for investors to offer to subscribe for PAVERS

Offer Management Agreement	the agreement dated 3 September 2003 between Brickworks and the Joint Lead Managers
PricewaterhouseCoopers	PricewaterhouseCoopers Securities Limited (ABN 54 003 311 617)
Prospectus	This prospectus dated 3 September 2003 and any supplementary or replacement prospectus
Soul Pattinson	Washington H. Soul Pattinson & Company Limited (ABN 49 000 002 728)
Terms of Issue	the terms of issue of PAVERS set out in Appendix A to this Prospectus
Underwriters	Citigroup and JBWere

REGISTERED OFFICE

Brickworks Limited
1/114 Longueville Road
Lane Cove NSW 2066

**BRICKWORKS PAVERS OFFER
INFORMATION LINE**

1300 556 090

**JOINT LEAD MANAGERS &
UNDERWRITERS**

**Citigroup Global Markets Australia Pty
Limited**
Level 40, Citigroup Centre
2 Park Street
Sydney NSW 2000

JBWere Pty Ltd
Level 42, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

LEGAL ADVISER TO BRICKWORKS

Clayton Utz
Levels 22-35
No 1 O'Connell Street
Sydney NSW 2000

FINANCIAL ADVISOR TO BRICKWORKS

Pitt Capital Partners Limited
Level 11, 2 Bligh Street
Sydney NSW 2000

AUDITOR TO BRICKWORKS

Travis & Travis
1/114 Longueville Road
Lane Cove NSW 2066

SHARE REGISTRY

**Computershare Investor Services Pty
Limited**
Level 3
60 Carrington Street
Sydney NSW 2000